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**A COMPARATIVE STUDY OF THE MARKETING STRATEGIES OF AMERICAN,
BRITISH AND JAPANESE COMPANIES IN THE UK MARKET**

By

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Finally, my heartfelt sympathy to my long-suffering husband and our two young children. They have been with me to the USA and Japan and consequently have had to put up with my absences when I had to conduct my research interviews. My husband has supported and sustained me fully through the whole of my research.

DECLARATION

Neither this thesis nor any portion of it has been submitted in support of another degree or qualification from the University of Warwick or any other Institute of Learning.

As stated in the thesis, Chapter 4 on 'Prior Research' acknowledges the previous work done by Professors Doyle and Saunders, and Dr Wong. I have also stated in the thesis that my thesis' research proceeds and departs from the 'Prior Research' by projecting the comparative analyses into the international arena with the study of overseas firms, and by extending the scope of the UK study with the inclusion of the American subsidiaries. Some of this work related to these two aspects have been published in conjunction with my supervisors (Professors Doyle and Saunders).

Specifically some of the research findings in the author's work have already been published in the Conference Proceedings of the UK Marketing Education Group and the American Marketing Association. A published paper on the research in Japan was given the 'Distinguished Paper Award' by the Marketing Education Group at its conference held at the University of Glasgow in July 1989.

SUMMARY

This thesis presents the product of the research into the comparative marketing strategies of competing American, British and Japanese companies in the UK market. These companies were drawn from the audio/hi-fi, ball bearing, machine tools, microwave ovens and photocopier industries.

A. The aims of the research were:

- i) to investigate and compare a matched sample of subsidiaries of the three national parent companies to discover whether there were significant differences in the way that these subsidiaries went about their business of marketing;
- ii) to identify which marketing applications, supported by behavioural and organisational differences, contributed to the achievement of effective marketing strategies;
- iii) to examine headquarters-subsidary relationships regarding the extent of overseas headquarter's support for its UK subsidiary's marketing operations; and
- iv) to discover whether there were any pointers to change which would be beneficial in the marketing organisation or operations of UK firms seeking to improve their marketing strategies and performances in these industries.

Suitable hypotheses indicated by possible gaps in the literature review were prepared for investigation and testing in order to achieve these aims. The literature review discussed in this thesis also highlighted the difficulties faced by UK firms and the challenges posed by overseas companies in the changed international business conditions from the 1980s to 1991.

B. The hypotheses developed for the UK research were:-

- Hypothesis 1: Successful companies are oriented to market share rather than short-term profits.
- Hypothesis 2: Successful companies demonstrate greater orientations to new environmental opportunities.
- Hypothesis 3: Successful companies pursue fast market adaption rather than innovation.
- Hypothesis 4: Successful companies are more aggressive in their use of marketing tactics.
- Hypothesis 5: Organisation, planning and control are more informal in successful firms.
- Hypothesis 6: Entrepreneurship and experimentation are stronger in market-focussed than in functionally organised structures.

The hypotheses developed for the overseas field research in the USA and Japan were:-

- Hypothesis 7: Effective marketing is a factor of critical importance in asserting the successful global competition of firms.
- Hypothesis 8: Ethnocentricity is a barrier to successful global competition.
- Hypothesis 9: Successful firms clearly focus marketing strategies at targeted opportunities in national markets and develop global advantages.
- Hypothesis 10: Globally successful firms are stronger market and technological innovators and investors with less dependence on low pricing to sustain market entry.
- Hypothesis 11: Successful organisations encourage closer parent-subsidiary relationships, and maintain greater scrutiny and evaluation of their subsidiaries' marketing performances.

The 'Prior Research' (chapter 4) investigated differences in the marketing performances of American, British and Japanese firms. In selecting the hypotheses for this thesis, it had to be decided whether the hypotheses should postulate better performances in terms of a national classification of firms or whether firms should be assessed on 'success' regardless of nationality. The 'Prior Research findings' made it clear that 'better performance' or 'success' was not limited to a nation's firms even though there were more Japanese firms with better marketing performances. Therefore the hypotheses for this thesis's research referred to "Successful companies....." instead of stating that "Japanese companies are better than American or British ones in....".

The cross tabulations and cluster analysis were applied to the data relating to all the firms under the headings of nationality because of the comparative nature of the research. But the results showed that the effectiveness of marketing strategies was spread over firms of each of the three nationalities. Not all the Japanese firms excelled and some are found in the American and British clusters which were weaker in their marketing performances. The research analyses sought to pinpoint areas of successful marketing strategies of firms. The postulating of the hypotheses is intended to demonstrate what marketing practices appear to lead to this success.

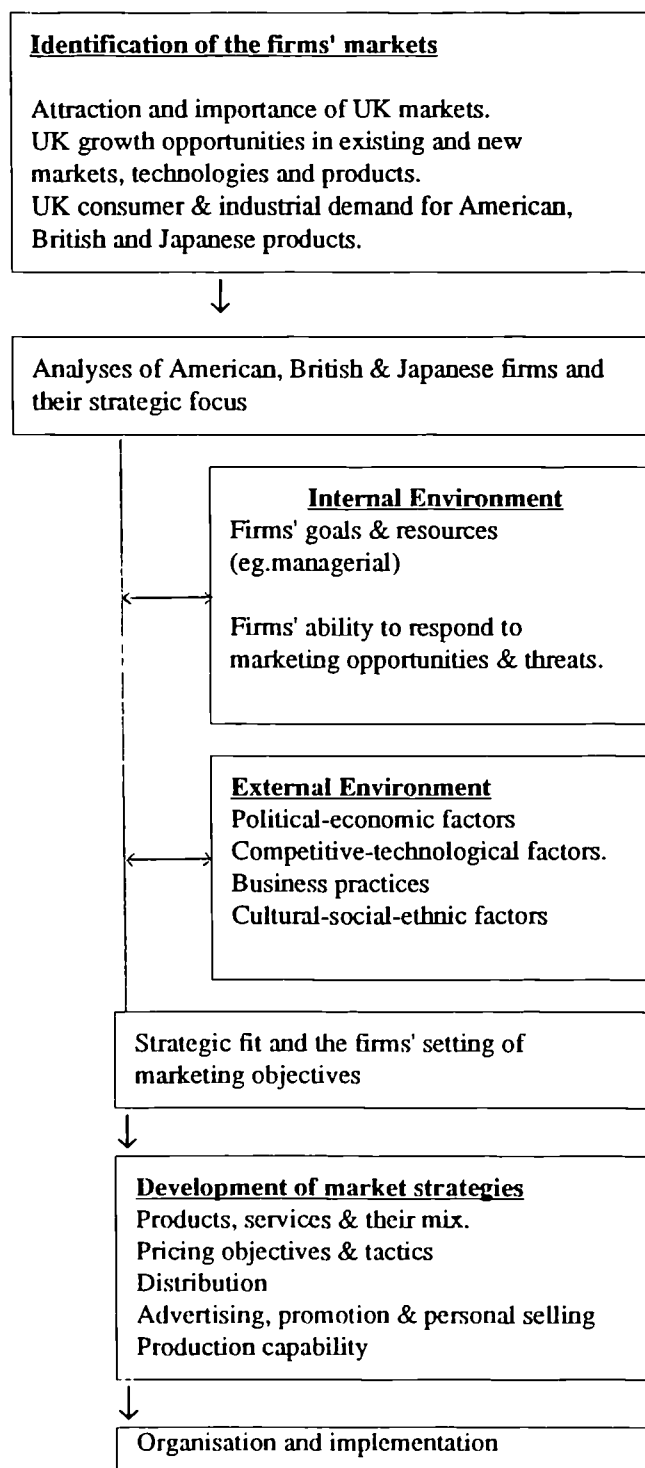
In the international marketing hypotheses, hypothesis 10 was a logical development from hypothesis 7. Hypothesis 7 sought to establish the existence of marketing functions in companies and their relevance to the efficacy of the companies in promoting and sustaining their positions as global competitors. Specifically this had to be linked to their sales, profits and market shares because they were essential for corporate growth and survival. It was necessary to examine and assess the variations in the internally perceived importance of marketing to the competitive stances of companies in their pursuit of greater shares in world markets. Hypothesis 10 differed because it specifically concentrated on whether successful firms were strong

strong innovators in their marketing and product development. Such firms may therefore focus less on reactive and defensive short-term pricing policies as only one element of their marketing mix to sustain their market presence. Hamel and Prahalad (1985) stated that international competitiveness should not be merely seen as low cost manufacturing in order to compete on low prices. Dunning and Pearce (1985) saw the presence and investment of multinationals as having a good effect on the efficiency of domestic firms by raising the standards of productivity, technology and management quality of domestic firms.

In order to test the hypotheses, the method of investigation included field research with the sampled companies in the UK, the USA and Japan. Two semi-structured questionnaires, one for the UK and one for the overseas research, were used to cover the areas of the hypotheses. These generated qualitative and quantitative responses which were analysed and compared, using the cluster analysis and chi-square methods. The cooperation of the companies in the sample had been gained through the promise of confidentiality and the availability of published papers derived from the research results.

The respondent firms were asked questions related to the elements of the marketing strategy formalised in Figure 1A. The extent to which their answers reflected either the whole or parts of this strategy were used to determine the intensity of their market focus.

Figure 1A Research into the Comparative Marketing Strategies of American, British and Japanese Companies.



C. The main findings relevant to the hypotheses in the UK study are presented in (a) and (b) and those for the overseas studies are presented in (c) below.

a) Hypotheses 1,2,4 and 6 were supported.

Successful companies pursued market share for long term strategic considerations rather than concentrating on short-run profit maximisation. This meant the deployment of marketing and technical capabilities in support of the strategic focus on developing long term competitive advantages such as strength in product innovation, manufacture, effective product positioning and segmentation. Such deployment encouraged entrepreneurship and experimentation in market focussed companies.

b) Hypotheses 3 and 5 were not supported.

The successful companies were amongst the market leaders and did not have to pursue fast market adaption rather than innovation to be in a position to compete with other competitors. The successful companies were able to combine innovatory product and production expertise with a strong consumer orientation to stay competitive. Their organisation, planning and control procedures were not more informal as there existed a mixture of formal and informal planning to support the strategic focus of their business.

c) The five hypotheses (7-11) in the overseas study were supported. Global competitiveness was enhanced by the commitment to marketing with the continuous deployment of organisational resources to key subsidiary operations. The companies which exhibited higher ethnocentric orientations to marketing found themselves less effective in targeting opportunities in overseas markets and keeping ahead in the drive for market supremacy. Despite the homogeneity or non-homogeneity of company employees, globally competitive companies were found to encourage closer headquarters

subsidiary relationships and greater involvement in the scrutiny and evaluation of subsidiaries' marketing performances.

- D. A summary of the research activities has been given in Figure 1B in order to clarify the direction and the important aspects covered in the research. Figure 1B is not intended to show the exact progression of the research as many of the tasks were ongoing ones, for example, the information search on companies and industries, the interviews with companies, and the evaluation of results in the light of learning experiences.

Figure 1B A Summary of the research activities

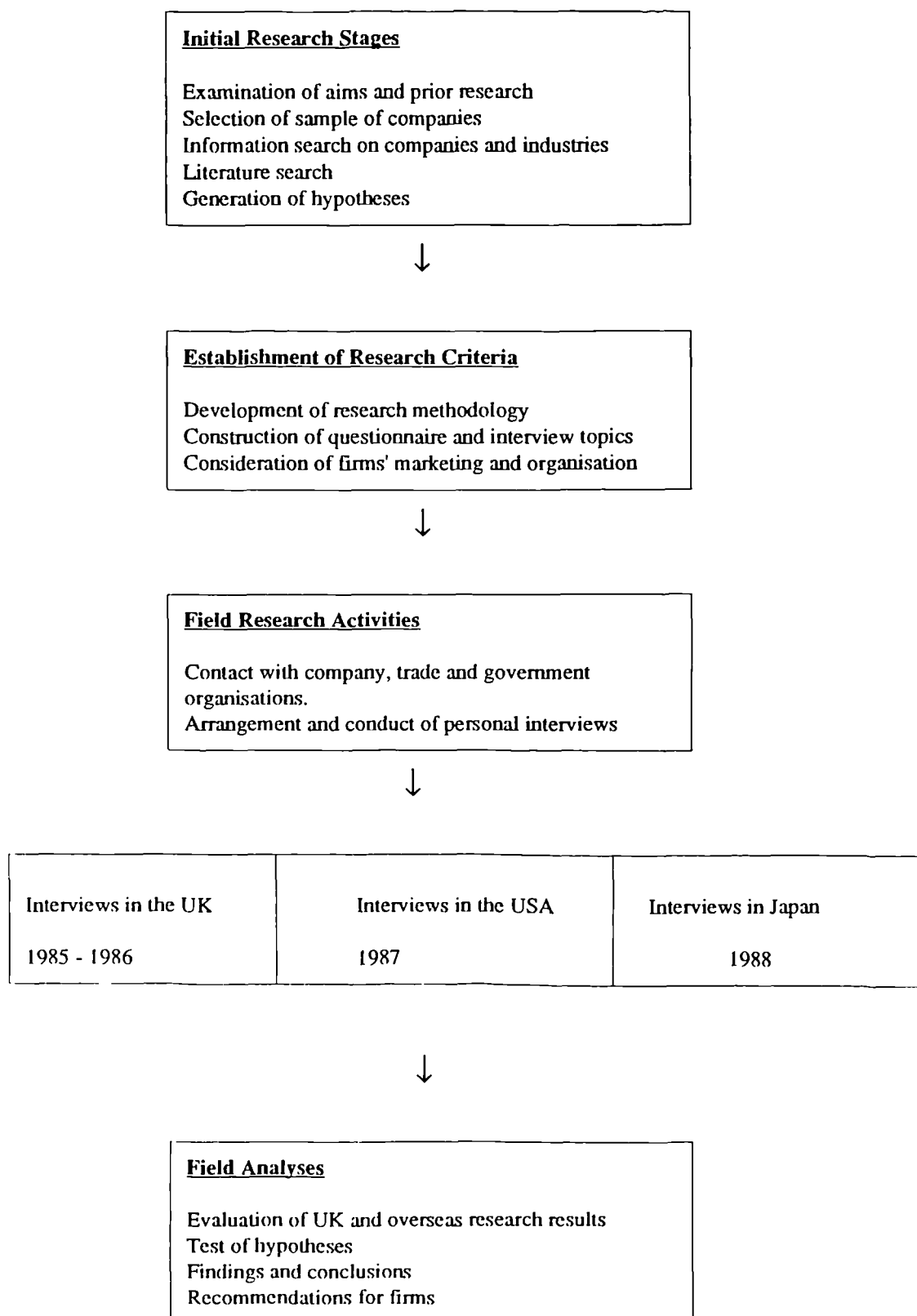


Figure 1B showed that the field research activities were conducted in the UK from the end of 1985 to 1986, the USA in 1987 and Japan in 1988. The major reason for this was that the interviews with the sampled companies in each country required months of advanced planning and communication between the researcher and the companies before the interviews could take place. For the interviews in Japan, clearance and assistance for the research were sought from JETRO, London and MITI, Japan before the companies were contacted. Time and cost constraints on the author meant that the research phases were carried out in different years. It was recognised that macroeconomic conditions would have changed in the countries which might have an effect on the comparability of the research results. While it was acknowledged that this was a limitation of the research plan, the author took the view that the overall economic figures in the UK, USA and Japan showed consistent trends allowing for the comparability of the research results. Hence the examination of Table 1A.

Table 1A from the Financial Times (1990) showed that exports in Ecu billions for the UK dropped from 132.4 in 1985 to 108.3 in 1986. In these two years, the visible trade balance worsened from -5.7 to -14.2 caused by a combination of factors such as consumer spending, low savings and high imports. The current account balance dropped from 4.7 to -0.3. Compared to the USA, US exports showed a fall in 1987 from 1986, picking up in 1988 but this was still lower than the 1986 figure. The US visible trade and current account balances had been falling because of the cuts in public expenditure by the Reagan Administration and attempts to reduce trade deficits particularly with Japan. Japanese exports in 1988 at 219.8 Ecu billions were still higher than their 1986 and 1987 figures. Japan's trade and current account balances peaked in 1986 but its figures in 1987 and 1988 were still better than that of 1985.

Therefore compared to the recession in the USA and the UK . Japan enjoyed important macro-economic advantages. Further support for this can be found in Table 33 on page 123 which showed that Japanese gross domestic product and employment

outperformed UK and the USA. Porter (1990) in examining the environments of the UK, USA and Japan amongst his list of countries in his book , "The Competitive Advantage of Nations" stated that Japan's economy and its businesses have grown because of strong domestic and overseas demand for its products.

Table 1A. International Economic Indicators

Trade figures are given in billions of European currency units (Ecu).												
The Ecu exchange rate shows the number of national currency units per Ecu.												
■ UNITED STATES					■ JAPAN				■ UNITED KINGDOM			
Exports	Visible trade balance	Current account balance	Ecu exchange rate		Exports	Visible trade balance	Current account balance	Ecu exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate
1984	275.8	-136.8	-125.5	0.7891	213.8	56.7	44.1	187.03	118.9	-9.0	3.1	0.5908
1985	279.8	-174.2	-160.5	0.7623	230.8	76.0	64.5	180.50	132.4	-5.7	4.7	0.5891
1986	230.9	-140.6	-147.8	0.9836	211.1	96.2	86.8	165.11	108.3	-14.2	-0.3	0.6708
1987	220.2	-131.8	-138.8	1.1541	197.3	86.1	75.2	166.58	112.3	-16.4	-5.9	0.7047
1988	272.5	-100.2	-106.7	1.1833	219.8	80.7	66.5	151.51	120.9	-32.5	-23.4	0.6643
1989	330.2	-99.3	-96.5	1.1017	245.3	70.5	52.8	151.87	137.3	-36.6	-30.3	0.6728
1990	308.8	-79.8	-72.3	1.2745	219.9	49.8	28.1	183.94	142.7	-26.1	-20.1	0.7150

Source: Financial Times (1990), November 18th, p6

The field research in this thesis extended from the end of 1985 to the early summer of 1988 but the analyses of the figures in Tables 1B and 33 (p123) showed that the overall trends were consistent. I.e. Japanese growth, exports, employment and current account surpluses outperformed both the USA and the UK. The research in this thesis in its terms of reference focussed upon the identification and analyses of the important elements in the successful global marketing strategies of competing Japanese, British and American firms. While there were changes in the economic data over the relevant time span, the opinions and attitudes of the managers interviewed in the three countries seemed to have crystallised so that expectations remained relatively constant. This allowed comparability of the research results for the firms in the three countries.

However a note of caution has to be included in this consideration. To some degree, it allowed a comparison of the research results amongst the firms of the three countries but due caution must be taken , as in any research of this kind, in interpretation of the results.

The hypotheses for this research were oriented around how successful firms developed their strategies which advanced their effectiveness or abilities to compete with one another. Porter (1985) defined competitive strategy as the search for a favourable competitive position in an industry which aimed to establish a profitable and sustainable position against the forces that determined industry competition. Successful in the context of this thesis therefore implied the 'capabilities, competences or effectiveness' of firms in their drive towards establishing their businesses as a thriving and dominant force in their highly competitive markets .

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CHAPTER ONE

THE INTRODUCTION

.

1.0 ABSTRACT

This introductory chapter explains the order of the chapters in this thesis to show the development and conclusion of the research.

The chapters in the thesis have been structured to show the progression of the research from the literature review centred around the hypotheses, the analyses of the relevant industries, the methodologies adopted, the testing of the hypotheses, the presentation of the results, and the conclusions and recommendations.

An explanatory statement of each chapter in the thesis is provided to show how each chapter contributes to the research.

1.1 INTRODUCTION

This thesis examines the marketing strategies of a sample of competing American, British and Japanese companies operating in five industries in the UK market. The terms of reference included the identification of the important elements in their marketing strategies such as their innovative qualities, consumer orientations and strategic focuses which had impacts on the effectiveness of their marketing performances in the UK. The study of the marketing strategies of companies took into account both the published literature from academic, trade and government sources and in-depth interviews with the companies in the sample.

The design and implementation of the marketing strategies and their successes are seen as dependent not only on the structure and system of firms but also on the people who carry them out. So the findings from the field research upon which the hypotheses were tested and the methodologies tried, resulted from in-depth interviews using semi-structured questionnaires with the senior managers and directors particularly in marketing and sales.

The following chapters show the progression and development of the research starting with the analyses of the industries from which the samples of firms were drawn to the conclusion of the thesis.

1.2 CHAPTER EXPLANATIONS

Chapter Two 'A Review of the Literature draws upon the published writings on marketing strategies. These writings took account of marketing principles and practices such as strategic focus, marketing mix, segmentation, product positioning, competitor targets, customer orientations, product and production capabilities of firms. Various sources from newspapers, journals, academic texts and conference

papers, government and industry publications were used. The examination of the literature indicated opportunities for research and are discussed under the headings of hypotheses. The objective is that each section under a hypothesis heading should deal with the appropriate literature relevant to it.

The contribution of this chapter is that it seeks to provide the framework by which the contemporary literature on the marketing strategies of firms can be presented and the hypotheses for the research explained.

Chapter Three "Industrial Performance and Competition" presents the background for the research with the analyses of the competitive conditions within the five relevant industrial sectors namely, audio/hi-fi, ball bearings, machine tools, microwave ovens and photocopiers. The trends in these industries producing for the domestic, commercial and industrial markets are compared to those in the UK manufacturing industry as a whole to enable an overall perspective to be shown. This chapter contains a mix of secondary and primary research undertaken to determine the extent of competition and the performance of *American, British and Japanese* companies in these industries. Information is given in national aggregates for direct comparisons to be made.

The contribution of this chapter to the aims of the research is that it provides a basis for the understanding of the competitive forces in these markets which would facilitate the identification of the characteristics of successful companies and the difficulties faced by local firms in copying such successes.

Chapter Four "Research Rationale and Methodology in the UK study" shows the choice of industries, the sample selection and size as well as the clarification of the hypotheses for the research in the UK, United States and Japan.

In this chapter, the UK research builds upon the initial ESRC study carried out by Doyle, Saunders and Wong (1985) and incorporates the sample of American subsidiaries operating in the UK. This made possible further testing of the hypotheses with a wider sample. It also enabled further investigations and comparisons to be made overseas into the American and Japanese headquarters' support for the marketing strategies of their UK subsidiaries, in competition both with one another and with indigenous British firms. This chapter contributes by establishing the criteria for the research into the sample of companies and the relevant hypotheses to be tested.

The conduct of the research and the justifications for the use of percentages, the chi-square test and cluster analysis methods to analyse the results are also shown.

Chapter Five "Findings in the UK Research" assesses the results of the research into the American companies and their comparison with the fifteen British and Japanese companies in the initial ESRC study. A major research finding suggested that companies regarded their strengths in their marketing performances to be due to a combination of their long-term strategic focus, investment, effective marketing skills and competitive leverages as in production. This combination helped them to overcome barriers to entry in national and overseas markets and the establishment of a permanent presence in these markets through their subsidiaries. The application of the chi-square tests and cluster analysis helped to demonstrate the levels of significance in the results and the relative importance of the companies respectively.

This chapter represents the results of the UK research. It demonstrates the testing of the hypotheses and their validation with the findings.

Chapter Six "Methodology in the Overseas Research" illustrates the processes in the second major stage of the field research. The American and Japanese headquarter

firms and the relevant trade associations in the two countries were approached for study in their respective national environments. A semi-structured questionnaire was designed specifically for the overseas research because of the orientation of the research towards headquarters attitudes and their commitment of resources towards their subsidiaries marketing activities and achievement of strategic objectives.

The contribution of this chapter is to explain the methodology used, the preparatory research for the interviews abroad and the orientation of the questionnaire topics in order to make possible the testing of the hypotheses.

Chapter Seven "Findings in the Overseas Research" illustrates the testing of the hypotheses with respect to the samples of overseas American and Japanese headquarter firms. The comparisons were made in terms of nationality with percentages derived from the questionnaire results, and included the significance levels from the chi-square method. The comparisons took into account American and Japanese marketing orientations and their support of the marketing performances of their subsidiaries in the UK markets.

This chapter shows the tests of the hypotheses for the overseas research and their validation. The contribution of this chapter is that it presents an important dimension which, when taken with the findings of the 'UK research in chapter six, enables the overall results of the research to be seen against national and international perspectives. This combination in the findings can then be presented in Chapter Eight for discussion.

Chapter Eight "Conclusion", summarises the findings and overall conclusions reached in the research process as a whole. These are discussed with references to the tests of the hypotheses and their acceptance or rejection. The recommendations for UK firms in general are stated with a discussion of the obstacles for indigenous firms

seeking to compete in these markets, given the competitiveness of the dominant firms in the research sample.

This chapter is an important part of the thesis as it presents an overview of the results of the research and the importance of the main findings. It seeks to provide insights into the competitive nature of the relevant industries which concern the companies in the sample and which affect their marketing strategies.

1.3 CONCLUSION

The structure of this thesis takes into account a review of the literature, the competitive market and industrial conditions for firms in the sample, explanations of the background, methodologies and findings for the UK and overseas research with a final conclusion. The contribution of this introductory chapter is to illustrate and explain the process of the whole research effort.

CHAPTER TWO

A REVIEW OF THE LITERATURE

.

2.0 ABSTRACT

This chapter presents a review of the literature. It attempts to survey the relevant publications in the contexts of marketing strategy and competition. For example, what are covered are the strategic issues of market share versus short-term profits, the orientations to national and overseas environmental opportunities, the aggressive use of marketing tactics, innovation, organisation and planning. The competitive advantages or weaknesses of America, Britain and Japan are also discussed because of the comparative nature of the research. The literature review has been centred around the hypotheses and in the light of the review, arguments for the testing of the hypotheses can be put.

The review conclusions showed the importance of implementing well thought-out marketing strategies in preference to reactive ones. Porter (1990), stated that Japanese firms were fortunate to face buoyant national demand in Japan while recession in the USA and Britain affected the abilities of clusters of related firms and industries to penetrate and sustain growth in overseas markets. Japanese firms were thus able to continue investment and commitment to new technologies and products. This led to spin-offs for other markets leading them to compete successfully with American and British firms in robotics for the automation of factories and in machine tools and bearings.

2.1 INTRODUCTION

This chapter examines the published literature with the discussion organised under the headings of the hypotheses.

Each section starts with an explanation of the relevance of the hypothesis to marketing strategy. This is followed by a review of the relevant publications on marketing theories, strategies and conclusions.

Each section ends with a short summary of the main areas discussed in the literature and the implications or justifications for testing the relevant hypothesis in future research.

2.2 Hypothesis 1: Successful companies are oriented to market share rather than short-term profits.

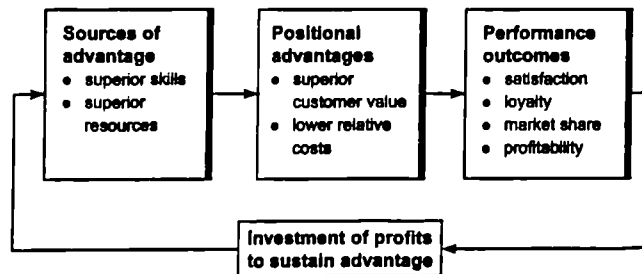
This hypotheses stems from an examination of the literature's support for the marketing concept and the abilities of firms to build on their market shares through the provision for and satisfaction of their customers' needs, which is at the heart of the marketing concept. A successful competitive strategy resulting in market share gains can therefore be brought about by a firm being responsive to and being able to influence the state of competition within the industry in which it operates. So one element in the success of firms which can be examined is whether firms oriented to strategies for gaining long-term market share compared to others focussing on short-term sales and profits, perform better in the market place.

Kotler (1991) explained marketing as resting on 'four main pillars, namely a market focus, customer orientation, coordinated marketing and profitability'. The competitive marketing strategy consists of specific strategies for target markets, marketing mix and marketing expenditure level. Heavy selling and promotion to achieve sales volume and profits in the short-term was a feature of the 'selling' rather than the 'marketing' concept.

Day and Wensley (1988) on diagnosing competitive superiority stated that businesses needed to develop distinctive competences with lowered cost on differentiation to achieve superior customer value. This would lead to a promised pay-off in terms of market share dominance and profitability above average for a firm in to industry, as shown under their 'performance outcomes' in Table 1B.

Table 1 B

The creation and sustenance of competitive advantage



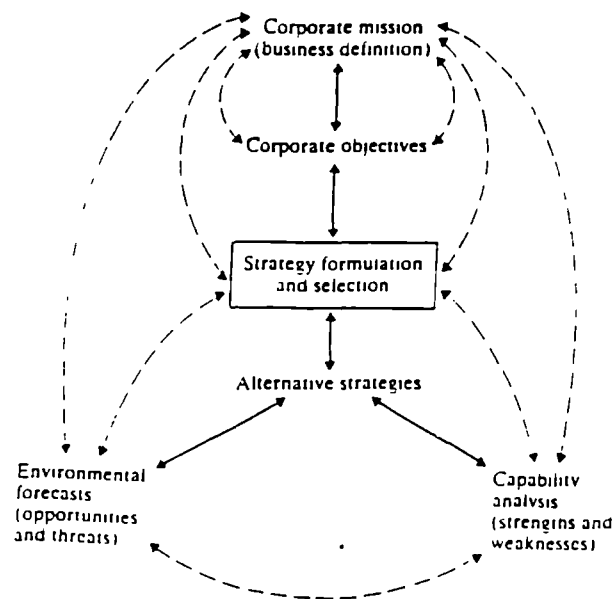
Source G.S. Day and R. Wensley, 'Assessing Advantage: A Framework for Diagnosing Competitive Superiority', *Journal of Marketing*, April 1988.

Despite such theoretical concepts on good marketing, Heller (1987) had argued that many firms had to think in terms of short-term profit maximisation rather than market share giving the following reasons. Short-term profit maximisation as a strategic objective is followed because firms think in terms of survival and riding the slumps in the trade cycle with fears of predators and liquidation. Markets and technologies change environments forcing firms to adapt. Increasing national and international competition put pressure on high profit margins. Technological advances combined with huge investments by large corporations alter markets. Firms with traditional skills orientated to the production and selling concepts found themselves unable to compete in markets which had changed. Such firms had little choice but to off-load surplus production and to think in terms of short-term profits. However firms which had strengths and investments in new product-markets and technologies

were in a better condition to expand their market shares in the light of national and international competition.

The process of matching a company's resources and assets to the external environmental opportunities and threats is referred to as the 'strategic fit'. Opportunities and threats need to be appraised in the light of strengths and weaknesses. The S.W.O.T. analysis (Figure 2) enables the setting of objectives, such as market share within the strategic fit.

FIGURE 2
ACHIEVING A STRATEGIC FIT: SWOT ANALYSIS



Source: Lancaster G and Massingham L (1988), Essentials of Marketing.

McGraw Hill p.62.

An investigation into the practice and effectiveness of marketing in the UK by Hooley and Lynch (1985) reported the responses of the top 10% companies in their sample which included 1,700 senior marketing executives. They found

that the 'high fliers' (65.3% in Table 2) were shared three common characteristics which the 'also rans' (the remainder) could not match. These were a genuine market orientation, a strategic sensitivity and responsiveness to the marketing environments and a profit orientation geared to the marketing assets and resources of companies. The 'high fliers' were greater users of market research with more emphasis upon product design and performance without simply relying on price.

Table 2

Marketing Approach of the Company

		Sample (1.453)	High Fliers (170)	Also Rans (1.283)	High-fliers variations from Also Rans
a	Product orientated	14.4%	8.8%	15.1%	-42%
b	Selling orientated	25.7%	25.9%	25.7%	0%
c	Marketing orientated	59.9%	65.3%	59.2%	+10%
Chi-Square = 5.08		Significance = 0.10			
Source: Journal of Marketing Management, 1985, 1, p65-72					

Hooley and Lynch contended that the 'high fliers' had superior marketing practices and a strategic vision of the business linked to the need for effective implementation of their marketing strategies. It would appear that marketing planning enhanced market leadership and market shares.

To achieve the objective of market share, sacrifices needed to be made in the short-term. Gale and Branch (1985) found that companies wishing to strengthen their future market positions with increased marketing expenditures

or new product introductions had to withstand higher costs in the short-term thereby foregoing short-run profit maximisation. In their sample of companies, those that did had a negative cash flow of 4% compared with a positive 5% for less aggressively minded businesses. However in the longer term, the justification for increased marketing expenditures was to obtain a profitable balance between their present requirements and their long-term goals. Such competitive strategies held consequences for competitors which pursued short-term financial gains at the expense of long-term market share.

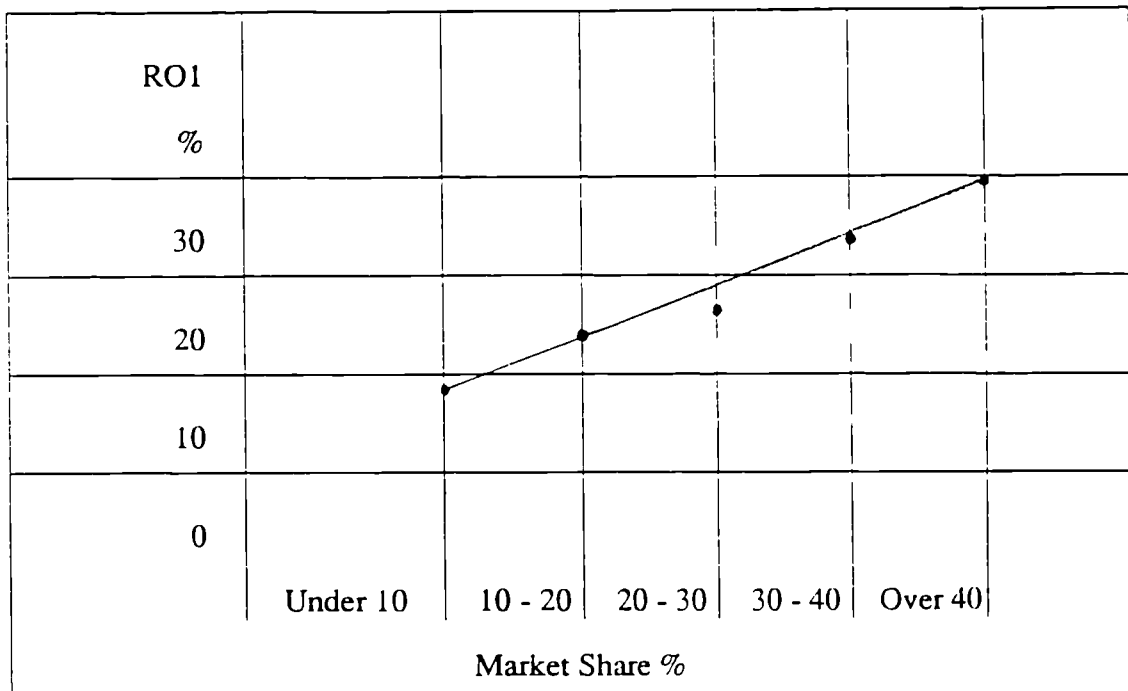
In addition, Abernathy and Wayne (1974) had argued that a company had to continue to aim for an 'even larger market share' if it wanted to maintain constantly a significant rate of cost-cutting. This was increasingly difficult to do when faced with segmentation tactics by competitors to expand markets 'from above' with superior products or customized options. So a company facing such tactics would have to abandon its volume scale economies or support a major product improvement which would effectively end its sequence of cost reductions on the learning curve. Some companies have found it very difficult to do the latter. Perhaps an example could be where manufacturing companies in the UK went out of business in the recession in the early 1970's with obsolete products and machinery and had to abandon years of accumulated experience in manufacturing their products such as in the 'valves' and 'spring' industries.

Despite such problems, a long-term benefit in pursuing a market share strategy has been identified in a project on the 'profit impact of marketing strategies' (PIMS) sponsored by the Marketing Science Institute and the Harvard Business School in the USA. Buzzell, Grade and Sultan (1975) found a strong relationship between market share and return on investment (ROI). This is illustrated in their diagram (Figure 3). They had no doubt that market share

and return on investment were strongly related showing the correlation between expanding market share and higher returns.

FIGURE 3

RELATIONSHIP BETWEEN MARKET SHARE AND PRE-TAX ROI



Source: Buzzell, Gale, Sultan (1975) 'Market Share a Key to Profitability, HBR

Highly profitable companies such as IBM, Eastman Kodak and Xerox had high market shares and dominant competitive positions in their main product markets. The researchers' explanation of this dominance through high market shares were:-

- a) Economies of scale in procurement, manufacturing, marketing, cost components and accumulated experience;
- b) Market size enabling establishment of prices to dealers and customers setting the market lead; and
- c) Quality of management through recruiting the best people with leadership skills and the innovative use of resources.

Baker (1991) concluded that, "success is not so much a matter of what you do but how well you do it". With reference to his work with Hart (1989), Baker stated that their findings confirmed that many attributes in successful firms in growth industries (sunrise ones) were found in less successful firms in declining (sunset) industries. Managerial mistakes could be compensated for in growth markets but were more serious in declining markets leading to loss of market share and competitive edge.

Summary

The discussion has shown that marketing strategy development in the literature is mainly oriented towards market share rather than short-term profits, and therefore such strategies are more likely to be the hallmark of successful companies. The writings in the literature support the importance of long-term strategy development paying attention to the marketing concept to achieve goals such as those of market share but there has been much less evidence of field research specifically in this area. For example, Western companies have reportedly been stated to be oriented to short-term profits and those of Japanese ones to be oriented to market share (Hamel and Prahalad, 1989; The Economist 1990; Financial Times 1991). However, field research on the direct comparisons of Western and Japanese companies have been far less evident in the literature, hence supporting the case for the research and testing of hypothesis 1.

2.3 Hypothesis 2: Successful companies demonstrate greater orientations to new environmental opportunities.

Porter (1990) stated that there was a long history of effort to explain international successes in industries in the form of international trade, ranging from Adam Smith and Ricardo to present-day government intervention in

industry. This effort has not answered his question on why firms from particular nations achieve international success in distinct segments and industries. Porter's theory was that 'a firm's proximate "environment" shapes its competitive success over time'. Hypothesis 2 is concerned with how a firm can be helped by its environment as stated by Porter, but also essentially whether successful firms have the better grasp or orientation towards the marketing opportunities in their environments. In other words, if marketing is an important factor in the national competitiveness of firms, a greater orientation to new environmental opportunities, at home and abroad should enhance the national competitiveness of firms.

Historically Adam Smith in the eighteenth century and Ricardo in the early nineteenth century had expounded the advantages accruing from trading opportunities between countries (Samuelson, 1970). Adam Smith in 1776 in his 'Wealth of Nations' (Kindleberger, 1969) wrote that,

"in every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest."

Ricardo's theory of comparative advantage (Samuelson, 1970) was based on the wide diversity in climatic, natural and human resources which created significant variations in the production capabilities of combines which at times led to absolute advantages and specialisation. As Samuelson (1970) explained, if a country had an absolute advantage for all goods, it would benefit from specialising in its most efficient areas involving "complete mutual independence" between countries. Heckscher and Ohlin (Ohlin, 1967) stated that because there was considerable variation in the resources of production between countries, this meant that countries could specialise and export the products of their specialisation whilst importing other goods. But these classical economic writings on the advantages of international

trade and specialisation are seen by Porter to be inadequate to explain the realities of competition in the late twentieth century. Porter thought that the theory of comparative advantage had intuitive appeal since trade patterns in various industries had shown up the importance of national differences in factor costs. However he argued that such a theory was unrealistic because of the diversity of economies of scale, technologies, products, labour, capital and tactics of modern-day global competitors.

Channon (1978) had also pointed out that the classical theories held limitations in the real world. They pointed to advantages derived from trade without taking account of changes in government and business practices or of social, cultural, religious, legal, economic and political influences. Countries and corporations protected themselves from the rigours of the open market to secure short and medium term advantages in specific areas, to protect jobs and to obtain access to new technologies and skills. Kindleberger (1969), also stated that "apart from purposeful state interference,....markets are separated by language, custom, usage, habit, taste and a host of other causes of difference".

The early theorists primarily concentrated on production and developed a mechanistic approach based on natural endowments though Adam Smith recognised the importance of the individual in the market being free to pursue his own trade. The significant contrast in the later approaches is the contribution of marketing with the non-product, service based elements (such as distribution) within the context of the wider marketing mix than was hitherto conceived. This seems to be a fundamental difference between classical economic thinking and current marketing analysis. Current marketing thinking is based on an effective organisational approach for strategic implementation such as an integrated marketing mix.

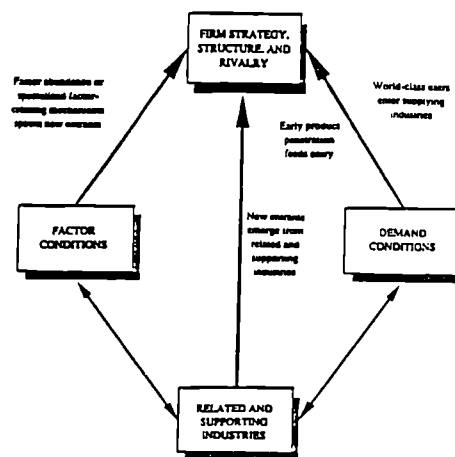
Hypothesis 2 is concerned with the focus by companies on environmental opportunities to develop their national and overseas markets. Export markets, compared to staying in one's own domestic markets pose greater challenges with the presence of diverse national preferences and difficulties created in matters like export barriers, procedures and problems of dealing with a wider variety of languages, legislation, cultures, tax liabilities and intercompany transactions. There are greater uncertainties in export markets compared to the domestic environment, but this does not deter firms from exploiting new environmental opportunities abroad as evidenced by the West German and Japanese trade surpluses in the late 1980s.

Porter saw competition as dynamic and evolving. In his study of ten important trading nations he showed the links between the environments in which firms operated and their effects on competitiveness in 'good' and 'bad' environments. To explain this environmental influence, Porter's diagram (Figure 4) showed the four boxes linking together in a 'diamond'. In successful nations, the whole diamond sparkles as all of the boxes contain active forces conducive to expansion into export markets. Porter's view is that in America, which is itself the promoter of economic growth and financial stability, the diamond has grown dull as each of the boxes reinforce decline by restricting the improvement of individual firms. The relative decline of the British economy with growing emphasis on leisure, entertainment and service industries at the expense of manufacturing was also compared.

In Figure 4, 'factor conditions' covered the traditional factors of production with the best ways of using them, including 'education', as the raw materials offered to entrepreneurs. 'Firm strategy, structure and rivalry' when present in domestic competition help to ensure that companies look for continual gains

in productivity and fresh sources of competitive advantage. 'Demand conditions' describe consumer habits and preferences which keep companies active in their marketing. The clusters of related and supporting industries' draw upon common inputs, skills and infrastructure to stimulate investment by government bodies, educational institutions, firms and individuals. Porter's publication has been the largest recent text on issues relating to the competitiveness of nations and the influences of environments.

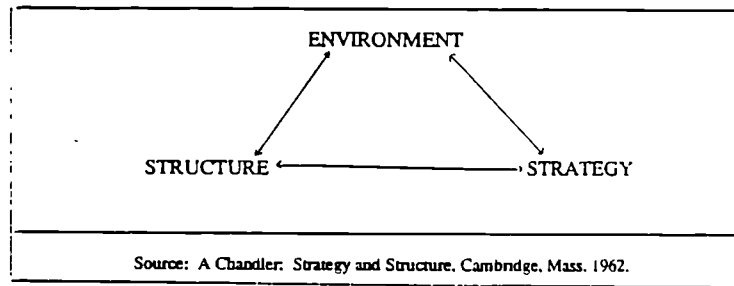
FIGURE 4
THE DYNAMICS OF NATIONAL ADVANTAGE



Source: Porter M (1990), the Competitive Advantage of Nations. Macmillan Press Ltd. p.139

The key interactions between the 'environment', the 'strategy' (behaviour of the firm) and the 'structure' (the internal cultural, organisational and technological capacity within the firm), see Figure 5, had been postulated by Chandler (1962).

FIGURE 5
STRATEGY AND STRUCTURE



This adaption to the environment is seen to be essential (Ansoff 1978) in Figure 6. The 'stable, reactive, anticipatory, exploring and creative' states of *the entrepreneurial dimension*, changed the 'product-market-customer-technology-finding source-natural resource mix' through which an organisation interacted with the environment. Baker (1991) stated that surprises and discontinuities in the environment were the norm rather than the exception and referred to Ansoff's proposal that managers should structure their environmental appraisals to pick up weak signals heralding future changes in their environments.

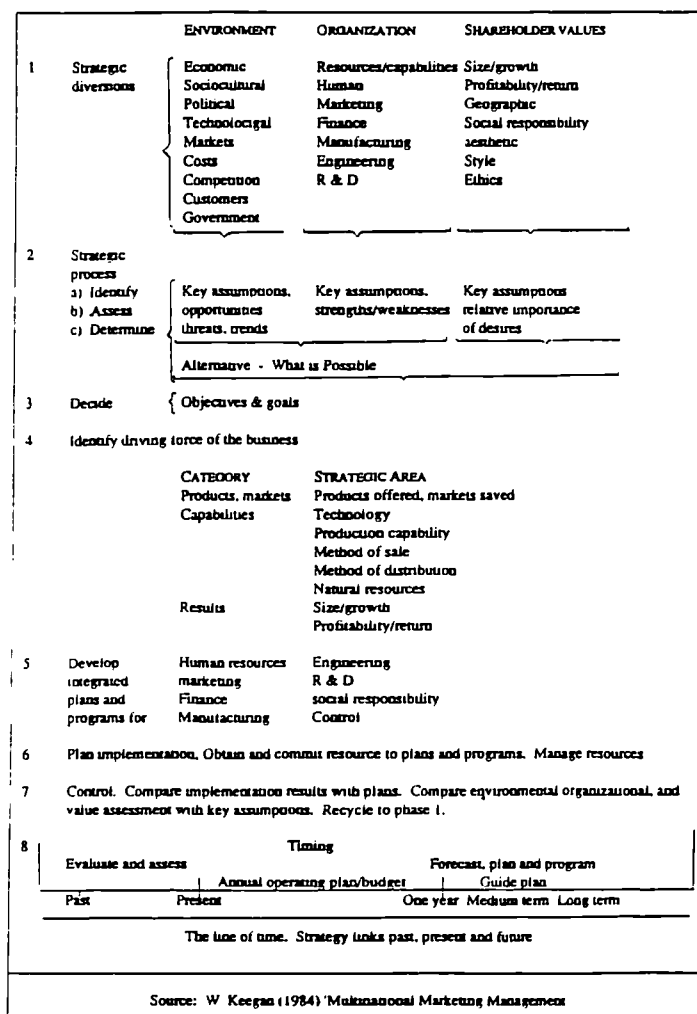
FIGURE 6
TYPES OF STRATEGIC THRUST

		Entrepreneurial	Continuity			Discontinuity	
		Marketing	Stable	Reactive	Anticipatory	Exploring	Creative
Entrepreneurial dimension	Stable	Making products available to markets	Fixed products/markets	Expansion of familiar markets	Expansion of related markets	Expansion to foreign markets	Opening novel markets
	Reactive	Defensive market share		Incremental product adaptation	Related product innovation based on known technology	Novel product concepts	Pioneering products
	Anticipatory	Aggressive search of market share				Adoption of new technologies	Creation of novel technologies
	Exploring	Adoption of new marketing concepts					
	Creative	Pioneering marketing concepts					

Source: I Ansoff (1978) 'Strategy Formulation as a Learning process: An Applied Managerial Theory of Strategic Behaviour'

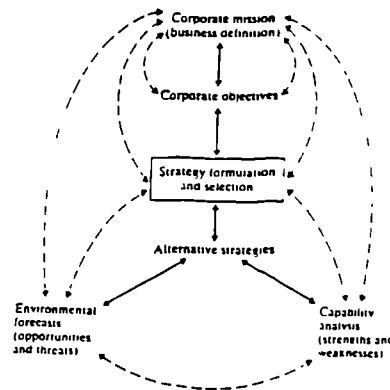
However as stated Porter stated there were no specific empirical method for the formulation of competitive strategy in markets. Keegan (1984) in Figure 7 proposed an orderly approach with universal appeal, relating strategic issues and decision-making to organisational aspirations and resources in order to meet challenges, opportunities and threats.

FIGURE 7
STRATEGY FORMULATION - A CONCEPTUAL FRAMEWORK



Lancaster and Massingham (1988) also provided a framework for the 'selection of company strategies' taking account of internal and external environments. The dotted lines in Figure 8 showed a sequential consideration of the elements in corporate planning relating to the SWOT analysis and environmental forecasts.

FIGURE 8
THE ELEMENTS OF CORPORATE PLANNING



Source: Lancaster G and Massingham L (1988). *Essentials of Marketing*. McGraw-Hill. p60.

Summary

On the subject of the need of firms to take account of environmental opportunities in their strategic thinking, writings in the literature provide theoretical guidelines and framework on the principles and methods of approach. However as Porter has stated as a reason for his study, there has been a need to examine why some nations and the firms in them, innovate and are more competitive than others. This need for more empirical research suggests that hypothesis 2 on whether successful companies have greater orientation to new environmental opportunities based on a field study of competing firms from three countries in five UK industries could be a useful contribution.

2.4 Hypothesis 3: Successful companies pursue fast market adaptation rather than innovation.

The market environment is a dynamic one and companies have to adapt to the demands and needs of their markets if they are to be successful. Hypothesis 3 looks at whether companies are more successful through fast market adaption of their products to achieve competitive advantages rather than the

concentration on innovation. Japanese companies for example have been seen to have entered western markets in consumer electronics in the 1970s through price-cutting and the copying of Western technology to gain market entry and build up market share (The Economist, 1989). The original leads in technology, in xerography or machine tools for instance have not protected American nor British companies from Japanese competitors.

On the subject of new product innovation and development, the literature listing their importance, and the factors needed to improve manufacturing, productivity and research and development processes seem comprehensive (eg. Crawford, 1983; Gluck and Foster, 1975; John and Snelson, 1987, and Sands, 1983). Abernathy, Clark and Kantrow (1981) indicated that much less was written on how firms integrate their R & D and marketing into a winning partnership or combination yet this was an area where the exposure to international competition and technical advances altered the nature of competition. The integration of R & D, and marketing was important and less developed in the literature, a theme supported by Sowray (1989), and Rothwell and Gardiner (1984). Rothwell and Gardiner (1984) asserted that most empirical studies focussed on major or radical innovations. There was a failure to recognise the importance of design and resulting 'incremental' innovations through modifying and improving products for the marketplace.

Given a wider choice of products with widely differing characteristics (see Table 3) Rothwell and Gardiner saw that customers were able to make optimal choices pushing manufacturers towards long-term product and process developments and a suitable balance of technical skills. Price was not the only consideration in the marketing mix as non-price factors could considerably enhance the value of the product purchased.

TABLE 3
FACTORS COMMON TO PRODUCTS

PRICE FACTORS List Price Sale Price Net price after trade-in allowance Financing or leasing arrangements	
Non-Price Factors	
i) Software Factors (maily economic) Servicing costs Quality of after-sales servicing Parts availability and cost Breakdown costs Depreciation Running costs Delivery dates User training facilities	ii) Hardware Factors (maily technical) Speed/production rate Reliability Flexibility adaptability in use Performance in operation Ease of use Ease of maintenance Safety in use Appearance
Source: Rothwell, R and Gardiner, P (1984) 'Design and Competition in Engineering' Long Range Planning, Vol 17, No 3, p78	

In his literature review on new product development, Sowray (1989) maintained that with 'important exceptions' the published literature was "weighted towards comprehensive but fairly superficial books...often too esoteric to attract the interest of practicing managers". It maybe that in the literature there is much interest in product innovation (eg. Rogers, 1962; and Twiss, 1974) and in the product development process (eg. Booz, Allen and Hamilton, 1982; and John, 1985). However generating ideas for new products which are important for new markets may have been less evident, as maintained by Sowrey.

In their matrix (Table 4), Johnson and Jones as far back as 1957, had based a range of product innovation options for new products and new technologies to reflect the link between R & D and the marketing efforts. But product innovations required co-ordination between departments and specification of task groups responsibilities, procedures and budgets, and also attention to changes in consumer demands.

TABLE 4

ORGANIZATION FOR NEW PRODUCTS

	<i>No technological Change</i>	<i>Improved technology</i>	<i>New technology</i>
No market		<u>Reformation</u> Usually improved cost/quality of existing products	<u>Replacement</u> Better products formulations using different technology
Strengthened Market (Market Exploitation)	<u>Remerchandising</u> Increase sales penetration of existing markets	<u>Improved Products</u> Provide improved product attributes to existing customers	<u>Product Line Extension</u> Applying new technology to broaden line of products offered to present customers
New Market	<u>New Use</u> Find new classes of customers that can utilize current products	<u>Market Extension</u> To reach new customers by modifying present products	<u>Diversification</u> To add to the classes of customers by developing new technical knowledge
Source: Johnson, S and Jones, G (1957) 'How to Organize for New Products' <u>Harvard Business Review</u> , (May-June) p49-62. Included in Rothberg, R (1981) 2nd Edition, <u>Corporate Strategy and Corporate Innovation</u> , Free Press, NY			

The interface between Marketing and R & D which varies considerably between companies and between industries and problems could have been aggravated by poor organisation. Fluctuations in product or markets did not encourage stable relationships to be built over time or on a continual basis. So firms capable of fast market adaptations would be quicker to satisfy market and organisational demands. As Foster (1989) pointed out, the pace of innovation was slowing as fewer discoveries were made but increasing sums were devoted by companies to research and development. The time and cost required to discover a marketable product continued to rise. Balanced against these, the rewards were great (eg. changing Glaxo's 21st place in the world pharmaceutical revenue league to 4th place within a decade). The choice between fast market adaptation of existing products or innovation which could enhance market leaderships may therefore be relevant in the context of examining how firms compete.

Since 1978, ACARD (Advisory Council for Applied Research and development) since 1978 had maintained that institutional problems, lack of communication and poor specialisation acted against innovation. It argued that market considerations were neglected due to the separation of R & D and marketing activities. Firms which were 'laggards' in the marketplace were not likely to have a positive Marketing and R & D interface. It recommended bringing the functional, project, operational and service groups in marketing and R & D closer together with the requirement for strategic direction from the top.

Japanese companies might have benefited from such strategic direction. For example, Takeuchi and Nonaka (1986) specified that the Japanese 'rugby' approach as opposed to the western traditional 'linear' approach to product development, meant top management giving a broad goal or direction to the project team with complete freedom to structure its self-development. The project team was able to overlap phases cutting down development time and improving the sharing of market and technical knowledge. This had an effect of achieving the speed and flexibility in creating new products, as companies needed more than the accepted basics of high quality, low cost and differentiation to excel.

In contrast, Hedley (1976) pointed out that when British managers failed to reduce costs along an experience curve an uncompetitive cost positions resulted so that failure to grow as rapidly relative to the competition would lead to further uncompetitive cost positions. Japanese costs reduction through improved production and managerial efficiencies were perceived to be strong improving their marketing competitiveness. American and British firms had also practised such theories but appeared to have historically failed to reduce costs along these curves faster than the Japanese.

But Davidson (1987) argued that the high ratio of new product failures (quoting an average low success rate of 10%) need not deter Western companies. New product investment was essential for companies with skills and strength in existing markets. Multinational companies also had the advantage of offsetting R & D costs against volume in many countries. Davidson stipulated that the ideal screening system should contain three elements: continuity, clear yardsticks and top management involvement with project evaluation as in the schedules outlined in Table 5 with continuous assessment for adjustments when new as information on the product and the marketplace became available. However it was extremely difficult to predict the life span of a given product and its competitive substitute which might replace it.

TABLE 5
SCHEDULE FOR EVALUATING NEW PRODUCTS

<i>Check Points</i>	<i>Data</i>	<i>Assessor</i>
1. New ideas	Short verbal statements	New-Products Manager
2. Prior to R & D Development	One-page business analysis	New-Products Manager
3. Prior to test market	Full recommendation	Marketing Director
4. Prior to national experience	Full recommendation	Managing Director

Source: Davidson, J (1987) *Offensive Marketing*,
Penguin Business Library, p.362

Summary

The literature contained writings on the need to combine effective marketing with innovative product development policies without adequate explanation of

how so it would seem important to assess whether fast market adaptation rather than innovation and the implications for long-term product commitment has been a factor in the make-up of successful companies.

2.5 Hypothesis 4: Successful companies are more aggressive in their use of marketing tactics

Porter (1990 and 1985) had stated that firms created competitive advantage when they found new and superior methods to compete in an industry and its markets, thereby creating acts of innovation. Such innovation were defined as including technology, product and process changes, new approaches to marketing, new forms of distribution and new conceptions of scope. Hypothesis 4 seeks to examine through research with companies in the UK whether companies are more successful in their marketing strategies through aggressive or innovative marketing tactics which would shift their competitive advantage so that their rivals are not able or willing to respond appropriately. As Porter has stated, much less has been written or known about why firms make good choices instead of bad ones and their aggressiveness in their pursuit of them.

Abegglen and Stalk (1985) found that Japanese firms operating in western markets were confident of their successes and did not see themselves as possessing clear weaknesses. This confidence enabled them to be less averse to risk-taking and more aggressive. This is supported by Brouthers and Werner (1990) who saw the Japanese as adept at exploiting strategic windows, defined by Abell (1978), and opportunities created by changes in technology, distribution channels and new market segments with active encouragement in selective industries from Japan's M.I.T.I. (Ministry of International Trade and Industry). Quoting examples of competition between Japanese and American firms eg. Honda and Harley-Davidson, Toyota and General Motors, Hitachi

and General Electric, Brouthers and Werner made the overall conclusion that Japanese firms were very bad competitors. Taking Porter's perspective of bad competitors, the authors argued that Japanese corporations had no 'clear self-perceived weaknesses or strategy to improve industry structure and did not play by American rules'. The authors also maintained that Japanese firms 'had goals irreconcilable with American firms'. Japanese firms had 'high exit barriers, high strategic stakes, viewed return on investment, profitability and cash generation differently, had a long time horizon and were risk averse'. Porter, however, had not stated that the Japanese were bad competitors. He had seen their demand-led domestic environment as stimulating their growth.

The view of the Japanese as very bad global and assertive competitors has also not been supported by Kotler (1991) or Kotler, Fahey and Jatusripitak (1985). Kotler (1991) suggested that only a handful of American companies are truly market and customer driven and attributed the example of General Motors' substantial market share decline as due to a chronic sales orientation.

Kotler et al (1985) referred to the Japanese as the world's champion marketers because they had built loyal leadership and market share over the last two decades in many industries eg. cars, steel, shipbuilding and consumer electronics. The Japanese firms were more aggressive because they had worked hard in cooperation with their government to identify attractive global markets requiring high skills, high labour intensity and low natural resources. These markets had been in a state of technological evolution where existing Western market leaders were complacent or underfinanced. Once committed to markets, Japanese firms were prepared to invest. It was suggested in the Financial Times (1991) that Japanese investment in the UK far from bringing the menial jobs and leaving the highly skilled research and design work in Japan, was redressing the balance eg. Sharp's Oxford laboratory concentrating

on optoelectronics, artificial intelligence and imaging technology for Europe's markets.

In building market share, Kotler, Fahey and Jatusripitak stated that Japanese firms relied on product development and market development strategies. These meant investment in product improvement, upgrading and product proliferation to offer more and better things than their rivals. New opportunities were spotted through market segmentation tactics helped by building networks of world markets and production locations. But from cars to computer chips, the Economist (1991) stated that Japanese industry had built a vast and fortified market at home "to get the business rolling" to support their overseas ventures.

The two views of the Japanese as bad or good global competitive marketers specifically with regard to American firms and industries, essentially provide comprehensive insights into the reasons and outcomes for Japanese advancement at the expenses of American market share. Writings on American, British and Japanese firms from the Japanese viewpoint (Kono, 1984; Kagono et al, 1984) have regarded Japanese long-term stockholder gains, profitability and high return on investment measured by market share and superior competitive leadership as more beneficial than western short-term profit maximisation. From the Western viewpoint, Hooley, Lynch and Jobber (1990) have also indicated that long-term success was best served though willingness to achieve market power though investment and growth rather than the maximisation of short-term profit returns.

The rate of success of Japanese companies can be seen in the outcomes. In 1990, 34 more Japanese firms started operating in Britain (Management Today, 1991; The Economist, 1991) bringing to a total, 150 Japanese

manufacturing companies with over 45,000 employees in the United Kingdom. Japanese firms produced diverse products including cars, audio/hifi equipment, microwave ovens, ball bearings, machine costs, photocopiers. In addition there were joint venture agreements as with Toshiba, G E (US) and GEC (UK) reported in the Financial Times (1991).

There are many factors which contribute to trade and market success. Alkhafaji and Hill (1988) commenting on these, stated that chief amongst them was a nation's trade policy and showed in their table (see Table 6) the differences between American, Japanese and West European nations (including Britain) and the impact on trade of those differences.

TABLE 6 A Comparison of Trade Policies

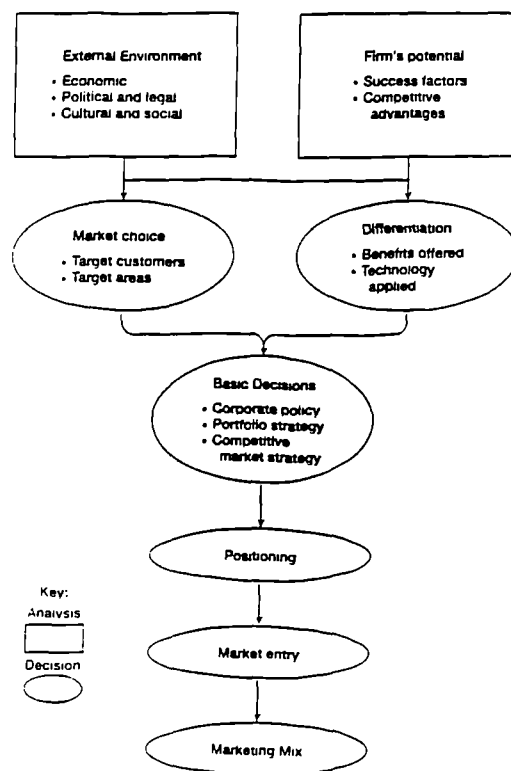
		United States	Japan	Europe
After WW II until 1970	Policy	Market domination, exports > imports	Rebuild industry, spend less on R&D	Rebuild industry, spend less on R&D
	Results	Wages soar, collective bargaining	Depend on copying, new management style, lifetime employment	Improve techniques, new management style or codetermination
1970-1980	Policy	Cut taxes, boost spending, tight monetary policy, open market/free trade	Economy slows down, reduced production, closed market	Slow economy down, reduce production, spend less on R&D, nationalize important industry, closed market
	Results	High interest rates, other countries dump products into market, domestic demand increases by 15%	Domestic demand increases by 6%	Domestic demand increases by 1%
1980	Results	\$12.2 billion trade deficit	\$414.4 million trade deficit	France: \$83.8 million trade deficit Britain: \$1.3 billion trade surplus Italy: \$6.9 million trade deficit
1986	Results	\$169.8 billion trade deficit	\$51.5 billion trade surplus	France: \$5.0 billion trade surplus Britain: \$4.2 billion trade surplus Italy: \$3.8 billion trade deficit

Sources: A. F. Alkhafaji and E. R. Hill, "A Comparison of Trade Policies: U.S., Japan, and Europe," *Proceedings, Academy of International Business*, 1988, p. 109.

However government policies on trade and environmental influences aside, how do firms decide what marketing mix tactics to follow and how aggressive are they at following them? Dahringer and Mühlbacher (1991) pointed out that with over 880 million consumers in the 'Triad' (W. Europe, Japan and the United States), there were opportunities for firms to standardise their

marketing mixes or determine the degree of modification for particular national markets. But with the increasing integration of these markets, consumer tests could become increasingly similar and a business should feel "comfortable in Europe, Japan and the United States, all at once".

FIGURE 9
Positioning and Market Entry



Source: Dahringer, L and Mühlbacher, H (1991) International Marketing, p.307.

The positioning strategy in Table 7 involves the determination of the desired image of the product in the 'minds' of potential customers, to make it distinctive or better than other rivals' products. The firm had to make decisions on how it could best respond to the options open to it. These decisions related to market choices and differentiation to determine the

positioning of the product in the chosen markets and the appropriate marketing mixes.

Hamel and Prahalad (1990) maintained that a firm's focus should also be on its 'core competences' and those of its competitors, and not merely on existing products. These core competences ie. a firm's abilities and skills would furnish a firm with its competitive advantage. Day and Wensley (1988) noted that given the difficulty with every single measure of performance no single measure would do. Therefore Hamel and Prahalad's core competences were important.

Summary

The hypothesis that successful companies are more aggressive in their use of marketing tactics seems valid for testing in the UK field research, given that in the literature, there seemed to be conflicting views on the way Japanese firms build market share at the expense of British and American ones. Moreover, as Porter had stated, less had been discovered about how firms make good strategic choices and their aggressiveness in pursuing them.

2.6 Hypothesis 5: Organisation, planning and control are more informal in successful firms.

Kotler (1987) has commented that marketing planning and control 'as a higher-order activity' which rewards the company with improved sales and profit performance, is not practised by every company. In his view, most companies operate without the benefits of a formal planning system solving problems as they occur. This view is supported by Spillard (1988) as business history "littered with examples of marketing failure caused by organisational infelicities". Hypothesis 5 seeks to examine this aspect, by researching to see whether more informal organisational, planning and control procedures could

lead to greater flexibility by companies to respond to the demands of their markets.

The literature on the organisational structures and decision-making processes of firms eg. Lawrence and Lorsch (1967), and Kootnz and O'Donnell (1976) includes comment on the complexities occurring through the interactions of organisations with the environment. These put limits on management's imperatives on strategic choice and highlighted the need for good organisational design. However such texts on organisational behaviour did not specify the linkages to marketing. It can be argued that there is no formal empirical method or technique for formulating and planning 'the competitive marketing strategy'. Business organisations can be perceived at one extreme as 'muddling through' (Lindblom, 1959) with a lack of planning, or at the other extreme as attempting to put too much emphasis on the design of a good strategy (Channon, 1976). The Boston Consulting Group's (BCG, 1985) framework for product portfolio planning environmental factors to those directly affecting market share or growth in order to allow for the technical difficulties posed by discontinuous environmental changes and the impact of inflation rates on costs and price structures.

Kotler (1980) in reviewing the BCG's growth share matrix (Figure 10) stated that management's first step was to identify the key business units making up the company (the strategic business units or SBUs). The Boston Consulting Group advised companies in their planning functions to classify their SBUs in the growth share matrix to distinguish four types: star, cash cow, question mark and dog (Hedley, 1977; Lorenz, 1981). What followed was to determine the roles and objectives assigned to each SBU. Each SBU could build so as to increase market share; to hold to preserve market share; and to harvest to

preserve short-term positive cash flow, despite the long-term effect; or to divest in order to sell or liquidate.

FIGURE 10
THE BCG GROWTH MATRIX

Market Growth Rate	High	Star	Question Mark
	Low	Cash Cow	Dog
		High	Low
		Relative Market Share	

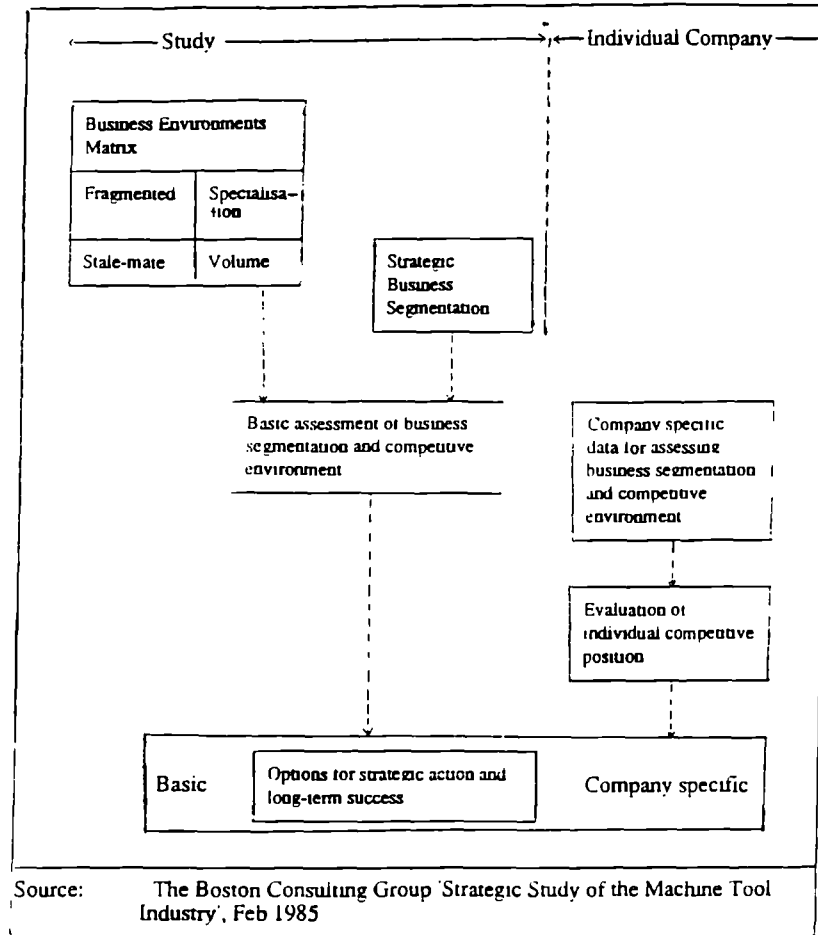
Source: P. Kotler (1980), Principles of Marketing, Prentice Hall, 81

Such overall re-structuring of freestanding strategic business units is seen to have advantages in focussing on current and future customer needs leading to efficient new product development (Hammermesh, 1986). Additionally provision of better products at competitors' price levels in offering products at lower prices while not eliminating the need for distribution and promotion would help to ensure success (Baker, 1991).

The Boston Consulting Group distinguished four generic competitive environments (stalemate, volume, fragmented and specialised) in its 'strategic study of the machine tool industry' (1985) for the European Commission. The BCG framework (see Figure 11) related the research and assessment needs of a business to its specific competitive position. Its study examined the market environment facing firms and related it to the recommendations for individual companies. The Boston Consulting Group in matching their theories to

customer practice tried to bridge the credibility gap between the academic theorists and the practitioners.

FIGURE 11 STRATEGY DEVELOPMENT



It seems that the substance of marketing in improving industrial competitiveness requires the strategic focus and the rigour of planning applied actively to operational implementation (Gluck, Kaufman and Walbeck 1980; Cravens 1986; Day 1985; and Gray 1986). The interdependent relationship between strategic planning and its implementation is according to Spillard (1987), "especially so in marketing because of the essential way in which it has to relate to other functions both inside and outside an organisation".

In the UK, a survey on British management by management consultants, Kepner-Tregoe (Management Today, 1987) found a surprising lack of strategy in some of Britain's largest companies (one hundred and ten firms out of the

Times 1000 companies). Of the chief executives interviewed, 14% saw themselves as not involved in setting strategy with 29% detached from the planning of strategy. This was due to running the company 'purely on gut feeling' and seeing strategy emanating as a 'bottom-up process' in their organisations. This implied lack of contact and control from the chief executives.

The differences between British and Japanese planning systems are emphasised by Kono (1984). In Japan, planning is often a 'top-down' approach (UK bottom-up). Setting clear goals and guidelines are of prime importance (UK planning systems have priority). The diffusion of long range planning practices in Japan especially in large corporations contrasted favourably with the short-term orientations of UK companies.

In the USA, Cundiff and Hilger (1984) noted that management styles (Table 7) resulted from a combination of training, personal preferences, organisational structures and cultural traditions. Centralised decision-making was standard in western firms with hiring and firing decisions based on performance and qualifications criteria. In comparison, Japanese firms were noted for consensus decision-making and employee participation demonstrated in Table 7 in the various contrasts of managerial decision-making in the contrasting cultures of American and Japanese firms.

TABLE 7
CONTRASTS IN MANAGERS' DECISION-MAKING STYLES

Area of decision-making	US Firms	Japanese Firms
Delegation of Authority	Yes; believed to be essential in increasing subordinate capabilities	Yes; subordinate development is a primary management function; worker suggestions for improvement are sought and accepted
Participation in Decision-Making	Yes; subordinates contribute to decisions; believed to improve motivation	Yes; subordinates participate in and initiate decisions; consensus of all employees is sought
Importance of Planning	High; problem solving is valued; planning is an indispensable tool for making good decisions; emphasis on short-to-medium term planning	High; planning is valued as in US firms; more emphasis on long-term planning
Emphasis in Communication Style	Direct and frank	Polite, respectful, patience in difficult topics
Performance Evaluations	System focus is on objective criteria and whatever will contribute to organizational effectiveness	Employee on-the-job training and development are essential parts of job; mentor system is institutionalized; few employees are fired
Commitment to Firm's Objectives	Doing well for the firm is an essential component of career success	Firm's and manager's goals are one and the same; manager identifies with firm
Source: Adapted from Lundberg, R. and Hülner, M. (1984) <i>Marketing in the International Environment</i> (Prentice-Hall Inc.) pp.1-91		

Japanese attributes included group and committee consensus, employee participation, single status for managers and employees, on the job training, and life-time employment. With these 'attributes', Japanese product quality and the success of its firms in export markets have been mentioned in the academic literature and the business media whenever Japanese organisations have been compared with Western ones. Essentially the message is that Japanese business culture is bound up with the philosophies and histories of its companies which make them different. These differences in some collective way are seen to lead to the successes of their exports and their investment ventures in the UK and the USA.

For example, Tom Peters in 'T Peters, Management Guru' on Channel Four television (April 1989) harangued an audience of managers over the

limitations of western corporate culture. He maintained that the Japanese corporate culture of encouraging self-development in workers and managers alike towards the mutual fulfilment of corporate goals were at odds with the expected management perks in Western companies and their treatment of employees.

Barney (1987) noted that organisations were intrinsically bound up with the uniqueness of their history. This might make them individually rare and difficult to imitate. The relationship between the highly subjective organisational characteristics (eg, values, symbols and beliefs) and the firm's competitive advantages defied rigorous description and inspection. Barney asserted that culture was a powerful force in explaining individual and group behaviour within organisations but it was unspoken and taken for granted.

There is support in the literature towards good organisational design and to the improvement of decision-making procedures to establish authority, control, bureaucracy, task specifications and responsibilities. However the powerful relationships between strategy, structure and environment first explored by Chandler in 1962 meant that organisation and its effect on marketing, as stated by Spillard (1988), was "too important to leave to the organisational theorists".

An example of a particularly consistent theme in organisational development has been that of the 'organic' organisational structure, as advocated by Burns and Stalker (1961). The organic structure is suitable for coping with the uncertainties in changing dynamic environments. Characteristics of such an organic structure include continually redefining tasks, responsibilities and specialist knowledge. Unobtrusive, administrative controls are present with lateral rather than vertical communication to influence the value premises of members' behaviour. The spread of commitment for the concerns of the

organisation was highly valued. Intrinsically such a structure encouraged creativity, risk-taking and innovation. It was evolutionary and enhanced leadership based on merit, skills and work position. In contrast, the formal or 'mechanistic' approach reinforced the hierarchic structure of control, authority and communication. It had a clear breakdown of functions between superiors and subordinates, with specialised differentiations and definitions of roles and rights. While the marketing function is not 'highlighted' in importance, in such deliberation on organisational design, the informality of the controls in the organic structure is seen to be more effective to deal with fast moving and changing environments. The mechanistic structure is seen to serve firms better in stable environments.

Complexities occur when organisational and environmental factors interact, which has led to 'open systems' empirical research in the study of organisational behaviour. Child (1982) and Galbraith (1973) considered that the uncertainties faced by decision-makers showed that there was a wide disparity between their actual information needs for action and the amount of information presented for processing. Decision-makers could either reduce their information needs or increase the organisation's information processing capacities. Therefore while some formal planning, organisation and control seem inherently necessary, some informality in procedures with better communications between organisational levels appear equally desirable, as indicated in the literature.

Davidson (1987) pointed out that the aim of a good organisation was to provide a framework "in which, with qualified people and the right attitudes, an integrated marketing approach is more likely to flourish in the long run". To be effective, an integrated marketing approach depends on the spirit of the

organisation. Preoccupations with formal aspects like seniority, procedures and demarcation lines would not lead to progress.

This view is supported by Drennan (1988) who saw a company's statement of corporate mission or intent however highflown 'grinding to oblivion' if it was not carried through by all employees. It had to be understood by all members of the organisation so that they could make their contributions including any radical changes which signalled a new era in a firm's mode of operations. Real commitment to the company's strategy had to be demonstrated and its success 'celebrated' and shared with employees. This has importance in the marketing context for employees are the ones who deal on a day-to-day basis with customers. Employees did not need to be involved in every aspect of a company's strategy, eg. formulation for takeovers or diversifications but a firm's image and reputation would suffer if employees did not identify with corporate goals or strategies. Japanese firms were seemingly more successful than Western firms at integrating their employees and socialising them towards their company cultures, partly because of their homogeneity and long-term employment practices (Cundiff and Hilger, 1984).

Summary

As the literature has indicated, operational efficiency in implementing marketing strategy seems to require understanding and acceptance of the corporate philosophy at all levels. The hypothesis that informality of organisational, control and planning processes are present in successful companies would seem valid for testing. The requirements for firms to develop strong orientations to develop markets and products while being competitive in costs, production and the ability to motivate and keep its skilled personnel, are important internal organisational factors to consider. A limitation in the literature on empirical research into the formality or

informality of marketing organisational procedures seems to suggest the validity of testing hypothesis 5 with regard to the American, British and Japanese subsidiaries operating in the United Kingdom.

2.7 Hypothesis 6 Entrepreneurship and experimentation are stronger in market-focussed than in functionally organised structures.

Galbraith (1988) stated that there was evidence that "for any strategy, the high performers are those which have achieved a fit between their strategy and organisation", and that subsequent research in the literature was aimed at expanding organisational attributes beyond merely 'structure'. Hypothesis 6 is concerned with examining these aspects where it relates to the priorities of managers of firms in their observation, understanding and responsiveness to the external environment and to feedback eg. verbal information and market response to the product itself. Where the organisational structure shows some resemblance to this pattern of behaviour it could give some evidence that the firm was innovative or entrepreneurial and willing to experiment eg. making trial decisions, thereby improving the strategic fit. This section looks at contrasts between market-focussed and functionally organised structures in the literature and implications for entrepreneurship and experimentation.

In looking at the 'strategy and structure' from the Harvard Business School studies of the Fortune 500 companies, Galbraith's view was that there was a relationship between the type of business and the fit of product (Table 8). He stated that an organisation which stayed in its original businesses would remain committed to its industry its traditional markets and to its centre of gravity, ie. the centralised functional organisational structure, with subsequent sequential stages operating as profit and loss divisions. The clearest difference was between the unrelated business company which was clearly

decentralised to divisions and the traditional functional splits in marketing, manufacturing, or R & D. The strategic fit between strategy and organisation was an important one. To Galbraith who maintained that there was "no work done on centre of gravity changes and their changes in structure", and on "comparisons for economic performance".

TABLE 8
Strategy and Structure

Strategy	Structure
Single business	Functional
Vertical by-products	Functional with P & Ls
Related businesses	Divisional
Linked businesses	Mixed structures
Unrelated businesses	Holding company

Source: Galbraith, J., in The Strategy Process, edited by Quinn H et al., Prentice-Hall, p.304.

Traditional functionally organised structures work best with firms committed to a core business while diversification into products and businesses not related to the core business necessitated changes towards a divisional style of organisation with increased autonomy vested in each division. But as Galbraith stated, the shortcomings in the literature were of a lack of studies on how such changes took place and on the related economic performance of relevant firms.

An example of a functional organisational structure has been described by Mintzberg (1988). It is favoured by process and scale interdependencies and less by social interdependencies. Functional grouping encouraged specialisation but the problems included a narrowing of perspectives focussing on means rather than ends.

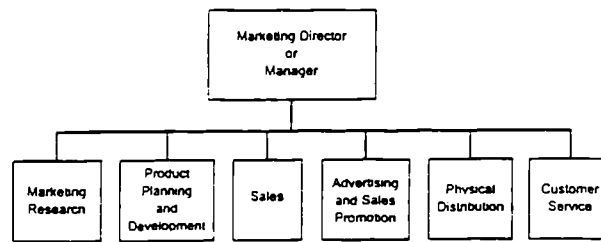
Mintzberg favoured the market-based structures such as those grouped on the bases of products and services. As Mintzberg puts it,

"the tendency is to decentralise in parallel, delegating to each market-based unit the power to make most of the decisions that affect its own operations. In this way the unit-generally called "division" - is allowed to operate in quasi-autonomous fashion, coordinated, as noted earlier, only by performance control systems".

Mintzberg noted that market focussed types had a tendency to reduce the degree of bureaucracy and the wastefulness of repetitive tasks. The market basis for grouping was favoured because an organisation would be more likely to be stronger in entrepreneurial and experimental leanings in its responses to its environment.

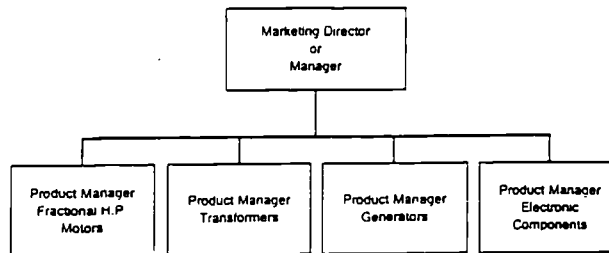
Baker (1991) stated that in practice a marketing department could be organised with one of seven basic orientations:- functional, product, market/customer, regional, functional/product, functional/market and functional/regional. A department organised under functional specialisations shown in Figure 12A(i) had its activities coordinated by the marketing director or manager but the negative effects of compartmentalisation, diverse interests and difficulty in coordination might be wasteful of managerial time and effort. Figure 12A(ii), where marketing functions are organised under product groups, is justifiable provided each product or product group has sufficient sales volume, as found in large decentralised companies which have strategic business units in their divisions. Since marketing is both a function and a philosophy, a market oriented structure, Figure 12A(iii) may lead to an important recognition of customer requirements and means of satisfying them. The comparison of marketing structures is shown in Figure 12B. The relative merits of types of organisational structure had to take into account the company's size, products, employee specialisms and markets.

Figure 12A(i)



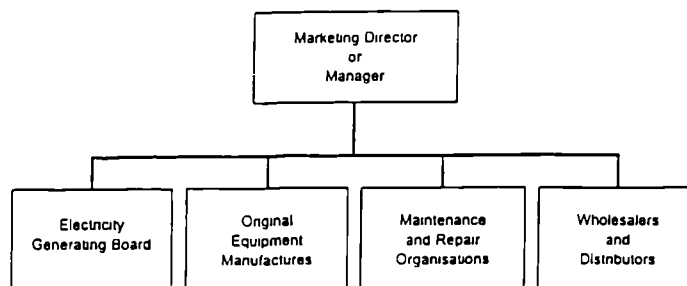
Marketing department organised on a functional basis

Figure 12A(ii)



Product-oriented organisation

Figure 12A(iii)



Market-oriented organisation

Figure B

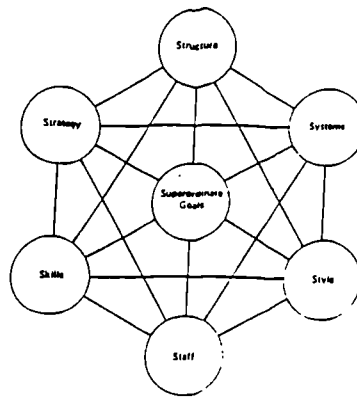
Comparison of marketing structures

<i>Form</i>	<i>Advantages</i>	<i>Disadvantages</i>	<i>Situational indicators</i>
Functional	Specialisation in task activities to develop skills. Marketing tasks and responsibilities clearly defined.	Excess levels of hierarchy may reduce unity control. Direct lines of communication may be ignored. Conflicts may emerge. Integration problem for CME.	Simple marketing operations. Single primary product/market.
Product/brand	Specialisation in products/brands. More management attention to marketing requirements of different products/brands. Fast reaction to product-related change.	Dual reporting. Too much product emphasis. More management levels and cost. Conflict.	Wide product lines sold to homogeneous groups of customers, but sharing production/marketing systems – i.e. proliferation of brands and diversified products requiring different skills/activities.
Market/customer/geographical	Specialisation in a market entity– focus on customer needs. Fast reaction to market-related changes.	Duplication of functions. Co-ordination problems. More management levels.	Limited, standardised homogeneous product line sold to customers in different industries – i.e. proliferation of markets each meriting separate efforts.
Product/market overlay	Advantages of functional product and market specialisation and integration.	Allocation of responsibilities is difficult. Duplication inefficiencies.	Multiple products and multiple markets.

Source: Baker, M., (1991) Marketing. An Introductory Text. Macmillan Ed. Ltd, p.482, 483, 487.

Waterman, Peters and Phillips (1988) asserted that 'productive organisational change' was not simply a matter of structure or the interaction between strategy and structure. Effective organisational change had to be about the relationship between 'structure, strategy, systems, style, skills, staff and superordinate goals'. The interaction of these were not especially obvious and were underanalysed in the literature according to the authors.

FIGURE 13
A new view of organisation



Source: Waterman, R., Peters, T. and Phillips, J., *The Strategy Process*, edited by Quinn et al, p.272.

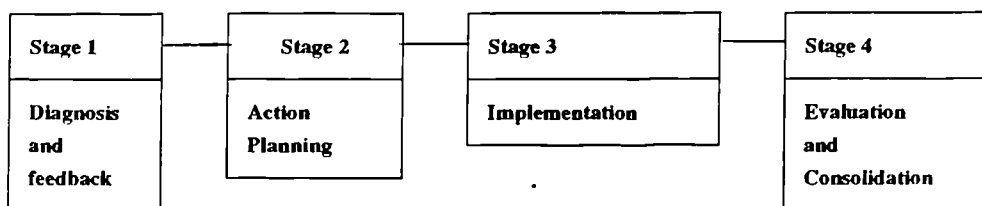
In Figure 13, Waterman et al's diagram had no starting point or implied hierarchy because each of the critical variables was important in organisational change and each was interconnected to others eg. with 'Structure,' emphasis should be on coordination rather than over-concentration on the division of tasks. Since Chandler (1962) first pointed out that Structure followed Strategy, a company should plan for or anticipate changes in its external environment. This would help to improve its position vis-a-vis competitors.

'Strategy' was a central concern supported by the systems or formal and informal procedures that were followed by organisations. Waterman et al stressed that 'systems' should be market-oriented rather than internally oriented. The personalities and patterns of actions of managers ie. symbolic behaviour, reflected managerial 'styles' impacting on decision-making. People should be regarded as a pool of resources to be nurtured, developed and allocated in the 'staff' context, and new 'skills' should be added to enhance new capabilities in organisational processes.

With superordinate goals, the authors claimed that unlike the other six S's these goals "don't seem present in all, or even most, organisations. They are, however evident in most of the superior performers".

The guiding concepts as a set of values and aspirations often unwritten, going beyond the formal statement of corporate objectives, represented the superordinate goals. These gave the fundamental ideas around which the business should be built. Ongoing research reported in the Economist (1991) on Britain's Most Admired Companies' introduced a further element to be counted amongst the best performing firms. This was 'peer admiration' from competitors because admiration for the way in which a firm operated would encourage customers to buy more, employees and suppliers to work harder, and shareholders to be more loyal.

TABLE 9
Stages in an organisational development programme



Source: Woolhouse, J., 1989, - The Gower Handbook of Management, edited by Quinn J, et al, Gower, p.46.

Woolhouse (1989) put forward four main stages to conceptualise what he saw as a good organisational programme. In Table 9 Stage 1 concerned defining, diagnosing and understanding the tasks to be performed, relating to the current stage of the organisation and where it wanted to be in the future. The ability

of people to respond was dependent upon the level of entrepreneurship and experimentation allowed by the organisation. As Waterman et al had stated, their superior performers were those consistently performing better in the seven S's. In Stage 2 of Table 9, more detailed analysis of problems, relationships and roles led to action planning. In Stage 3, the implementation phase, feedback and modifications were necessary as every programme was an experiment in managing changed. The implications of actions needed to be understood by everyone involved. Stage 4 concerned evaluation and consolidation to reinforce changes that were effective in practice.

Woolhouse stated that since organisations vary in purposes, methods, technologies, scope and size of operations, cultures, economic, political and social environments, there was no single solution to what constituted the best organisation in a given situation. The seven S's provided a framework which could be consistently applied to all organisations as the variables involved were important to any firm. The issues of entrepreneurship and experimentation were important in this context because of the need, as specified by Waterman, Peters and Phillips, for organisations to be effective in responding to the environment. Therefore market-focussed firms, as proposed by Mintzberg, were better equipped in this respect than those traditionally structured by functions (Manufacturing Today, 1991).

On a further dimension, entrepreneurship and experimentation were encouraged in the learning approach preferable over that of planning according to Mintzberg, where 'individuals at different organisational levels contributed. Chief executives should use a visionary approach where,

"strategic formulation is a semi-conscious process in the mind of a business leader...with a profound knowledge of his company's products and markets, and an insight.. of the way the company must go".

Mintzberg argued that this visionary approach was part of the Japanese global corporation's ethos and that western formal business training distanced managers from products and markets.

Peters (1988) had argued that 'excellent firms' were those that focus on constant improvement and change. But the dilemma was shown in the question 'Who's Excellent Now?' (Business Week 1984) when two years after the publication of 'In Search of Excellence' by Peters and Waterman (1982), seventeen companies in their list had fallen from grace.

Summary

It therefore appears that while good organisational theories are prescribed in the literature, there is a shortage of studies, as stated by Galbraith, on how firms change or respond to the need of markets and on comparisons between firms. Changes in the nature of competitive pressures on firms and on competing nations with their entrepreneurial and experimental responses to market based developments were shown to be important, by Waterman et al and Mintzberg. But the need to understand how firms can organise to succeed in the light of change in the marketing environment supports the testing of hypothesis 6.

2.8 Hypothesis 7: Effective marketing is a factor of critical importance in asserting the successful global competition of firms

According to Cundiff and Hilger (1984), the optimization of international strategies in the multinational firm requires a capability within the corporate system to adjust strategy to different market conditions within an integrated planning framework. So marketing decisions should be integrated geographically. They must also be

synergistic in terms of short versus long-term goals and the effects of overall strategy input on each other. Hypothesis 7 seeks to examine whether it is the effectiveness of the marketing strategies that has accounted for the global competitiveness of firms.

The European Management Forum (1984) explained competitiveness as the immediate and future ability of, and opportunities for entrepreneurs to design, produce and market goods worldwide whose price and non-price qualities form a more attractive package than those of foreign and domestic competitors. Global competitiveness referred to this process whereby firms were able to manufacture, distribute and sell their products in world markets more effectively than competitors. This required marketing strategies to be effective and to be adapted to the different stages of companies' product life-cycles and resources.

Porter's work on 'Competitive Strategy' (1980) identified the principle reasons for strategy fragmentation as: low overall entry barriers, high transport costs, low achievement of scale economies, high inventory costs, erratic sales, and size advantages in *dealing with buyers and* supplies, heavy creative content in the final product, diverse fragmented marketing, local regulation, and government prohibitions. So how do firms overcome these barriers to devise and implement successful marketing strategies?

Porter's classification of generic strategies to outperform other firms using a position of cost leadership, differentiation and focus can provide a useful conceptual framework. For example to pursue a position of overall cost leadership, based on the popular experience curve concept a firm would aim for the most efficient facilities and scale economies.

In order to do this, it would have to achieve high market share so that cost per unit remained the lowest in its industry. The firm would necessarily have a high expenditure in updating facilities and advertising other promotional support to stimulate market interest. Differentiation as a strategy would involve the creation of a product or service which could be seen as unique. Strategic focussing based on market segmentation tactics could serve market segments more effectively than competitors. In principle all three strategies involved investment but also high returns. In practice, how could firms adapt such strategies to their product-markets to ensure winning returns?

The literature includes explanations of tactics adopted by firms in their strategies, for example, Kotler (1980) described target marketing as 'the act of selecting one or more of the market segments and developing a positioning and marketing mix strategy for each'. Ryans and Shanklin (1984) stated that additions to high technology product mixes and product lines were often modifications and improvements of existing offerings, many of which were suggested by customers or distributors.

In their various forms, marketing strategies differed between companies involving many different pricing, product and customer tactics. Terpstra (1983) showed that their implementations required manipulation of the marketing mix variables (Table 10) to optimise the firm's resources with the best effect in the marketplace. The variables in the export marketing mix can be manipulated by firms in varying degrees to sharpen the competitive focus in a market segment. So the elements of price, promotion, distribution and product features could be varied by firms to present acceptable product and service offerings

as they represented the 'controllables' within the firms' strategies. This seems to be in line with the definition of competitiveness provided by the European Management Forum.

TABLE 10
EXAMPLES OF ELEMENTS INCLUDED IN THE EXPORT
MARKETING MIX

A.	Advertising and promotional support
B.	Direct selling by sales forces and agents
C.	Marketing services and sales market support (including market intelligence, information claims and warranty services)
D.	Pricing support
E.	Inventory support and warehousing
F.	Product management support
G.	Financial support (including budget dates and reports, credit authorisation and auditing)
H.	Technical support (including specifications, operating control, product testing and parts supply)
I.	Packaging support
J.	Distribution support (including export preparation, shipping and landing expenses)
K.	Other support (such as data processing, legal, tax, insurance, translation services)
Source: Adapted from Terpstra, V (1983) International Marketing, CBS College Publishing, p354	

Sharpening the competitive focus in a marketing strategy will therefore have implications for the positioning of a firm's products, as it could regenerate the growth prospects in a product's life cycle. This is because as demand stagnates in a mature industry and relative competitive positions become more stable a company can remain successful through ways of continually seeking opportunities for improvement, otherwise 'decline' becomes unavoidable. Achieving operating efficiencies and product innovation in stagnant industries is a characteristic of successful companies.

In Table 11, Porter's diagram leads to the object of creating the sustainable competitive advantage achievable through the establishment of an overall low-cost advantage or in product

differentiation and premium pricing (Porter, 1980). Donaldson (1987) stated that the types of competitive advantage included superior product benefit, the perceived product advantage in the mind of the consumer, achievement of lower costs, legal and economies of scale advantages, superior contracts and knowledge, and developing offensive attitudes involving a set of shared values and a sense of mission.

Table 11

COMPETITIVE ADVANTAGE

		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Source: Porter M 'Competitive Advantage', MacMillan Free Press, p.12.

Summary

The literature on generic marketing strategies (Hamel and Prahalad, 1985, Hamermesh, Anderson and Harris, 1978; Levitt, 1980 and Mathur, 1984) has supported the importance of differentiation and cost leadership on a firm or industry-wide basis. A third type of strategy, that of focussing to service a target market more effectively than other competitors, is also explored in the literature. What seems less clear is how firms came to adopt such strategies, whether brought about through external policies and processes, or adopted on a 'me-too' basis. Less indication is also given as to how these strategies need to be

adapted over time for a combination of factors to take place in order to arrive at a winning strategy, given the intense competition in mature industries and the need to develop new products for growth industries. This perceived gap in the literature may justify the testing of hypothesis 7 overseas to investigate in a given sample of American and Japanese headquarters firms what generic marketing strategies are pursued and their effectiveness in asserting their subsidiaries' global competitiveness.

2.9 Hypothesis 8: Ethnocentricity is a barrier to successful global competition

Perlmutter (1969) first identified the EPRG orientations (ethnocentrism, polycentrism, regiocentrism and geocentrism) in association with management attitudes towards successive stages in evolving international operations. Ethnocentrism referred to a preference for a home country approach contrasting with polycentrism as having a host country orientation. Regiocentrism was associated with a regional orientation and geocentrism to a world orientation. Hypothesis 8 seeks to examine whether there are ethnocentric orientations in the formulation and implementation of the marketing strategies of American, British and Japanese firms which could affect their competitiveness.

Cundiff and Hilger (1984) had stated that 'myopia with respect to foreign markets, a lack of interest in the potential for new growth and profit in foreign markets' restricted the domestic firms' profitability and weakened their ability to compete with imports in their own market. They maintained that firms had to make the decision to be competitive in world markets to help to safeguard their domestic interest. They

exports could be both operationally and strategically stimulated in the problem solving and opportunity seeking contexts as shown in Figure 14.

Figure 14
A TYPOLOGY OF INTERNATIONAL MARKETING DECISIONS

Motivation to Export		
Export		Problem solving Opportunity seeking
	Operational	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">Internally stimulated I</div> <div style="text-align: center;">Externally stimulated IV</div> </div>
	Strategic	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">Internally or externally stimulated II</div> <div style="text-align: center;">Internally or externally stimulated III</div> </div>

Source: Cundiff, E and Hilger, M (1984) Marketing in the International Environment (Prentice Hall) p30

The routes by which firms go international may be many and varied dependent on resources and decisions operational or strategic, problem solving or opportunity seeking. The decisions could be internally or externally stimulated. The routes by which firms go international could be examined on a sample basis to determine the factors which influence their abilities to compete abroad.

Jones (Management Today) pointed to the fact that British companies had been investing abroad for hundreds of years. In the 1950s British companies had more foreign subsidiaries than the USA or Japan. Jones explained that management problems resulted in gradual losses on the ground. These problems related to:- insufficient priorities to subsidiary operations by sending corporate 'misfits' rather than high calibre executives groomed for promotion; loose control by the British parent companies; inappropriate organisational structures to supervise

foreign operation and inabilities to manage change. He saw the stereotyped view of British business as good at inventing and poor at marketing supported by such perceived weaknesses.

British firms have been reportedly criticised for their orientation towards the home market in the belief that home market strategies are appropriate for both domestic and overseas markets. The Economist (1989) saw these criticisms as based on the prejudice that British firms had been insular, ignorant of export markets, foreign competitors and languages. But the Economist argued that the criticisms were unfair, giving the example that 20% of Britain's gross domestic output in 1988 went into export which was twice that of France and of Japan, and almost four times that of the USA.

However, the UK competitiveness has in turn been helped by foreign-owned firms, including the growing number of Japanese companies investing in Britain. As Dunning (1986) puts it, foreign owned multinationals directed their efforts towards the UK's fast-growing industries. In 1981, the total net output was more than 40% in motor vehicles and parts, more than 30% in chemicals, rubber and plastics and over 20% in mechanical engineering, electrical, electronic equipment and instrument engineering.

The Japanese approach was termed 'global localisation' by Morita, the Chairman of Sony (Financial Times 1988). With the protectionist sentiments and barriers of Europe in mind he could not see European companies solving their problems of competitiveness by putting up trade barriers. Japanese companies were moving into Europe for the single European market of 1992 and setting up subsidiary operations to

become 'good' European manufacturers. The process of 'global localisation' as he termed it was to describe the process of setting up operations around the world headed by local management. Ethnocentric behaviour on the part of such Western competitors was seen to aggravate trade disputes but did not hold back Japanese market advances.

There is support for the global orientation from Western writers. Hout, Porter and Rudden (1982) showed that the power of geocentrism, which makes a company think of the world as one market instead of a collection of national markets, can successfully change the dynamics of a firm's industry and pull it away from its major competitors. They showed how Caterpillar (USA) exploited world-wide sales volume and its existing market for parts revenues. Ericsson (Sweden) created a cost advantage in its modular technology for its market segment and Honda (Japan) used marketing to create homogeneity for its products, thereby using its potential for scale economies in production, marketing and distribution.

Moreover ethnocentrism towards one's home market can be seen as damaging. Cundiff and Hilger (1984) cited an example brought about by environmental change. American car firms concentrated on the large US home market as the most important, with a lack of interest or attention to the enormous potential of the world market for small cars because there was less profit per unit on them. When Chrysler got into difficulties, it sold its foreign plants in 1979 as an early move to raise cash. Retrenchment to the home market did not protect Chrysler, Ford and Vauxhall from the advances into western markets by Japanese

companies initially manufacturing and selling small cars, increasing volume and moving into other vehicle segments.

The Chrysler example of the late 1970s showed that firms would use the same domestic marketing strategies for its overseas markets with low status appropriated to their overseas subsidiaries. In contrast, the polycentric firm having a decentralised organisation, with each subsidiary operating independently of the others, would have each subsidiary tailoring its individual resources to the unique requirements of its local markets and needs because the differences in national markets and their environments are recognised. The regiocentric company seeks to develop integrated regional marketing strategies as exemplified especially by focussing on the markets of the European Community.

The texts on international marketing (eg. Keegan, 1984; Majaro, 1978; Livingstone, 1975; and Terpstra, 1983) state or imply that the geocentric approach for an organisation is the best orientation. The geocentric firm is global in its approach because markets are not treated as individual foreign entities as they are by the polycentric firm. The geocentric firm pursues market opportunities, irrespective of national boundaries or barriers to trade, using comparative analysis in spotting similarities and differences in market environments.

If this is the case, should not firms try to convert to the geocentric orientation in order to become more competitive? After all as the literature suggests, it redirects marketing thought, expertise and resources strategically to global opportunities. This enables a firm to protect its domestic market if it has the competitive leverage to

reallocate its financial, economic and personal resources across national environments. This is not a view shared by other writers who see the impact of global competition on national markets as very harmful. For instance, Culbertson (1986) argued that in a world of diverse nations "free trade works perversely causing obstructive competition among nations". Desirable industries and jobs move from countries with higher standards of living and lower wages to countries with lower standards of living and lower wages. He cited America's rise to pre-eminence as based on the interaction between the market's demand and the pace-setting industries that developed to meet the demand. Government subsidies and low wages in developing countries distorted costs for products sold abroad, thus affecting the competitiveness of western countries. This combination rather than successful marketing strategies gave Japanese firms the start they needed to compete with the West and to undercut American industry. Culbertson supported the case for the protection of American industries and trade barriers against the Japanese.

Glassman (1986) refuted Culbertson's arguments on the basis that the market should decide which goods were to be sold in the USA because consumers should be allowed to buy high quality goods at low cost. American firms would be spurred on to become more competitive and that politics should be kept out of economic decision-making. He saw competitive Japanese firms as clearly having successful marketing strategies despite the political economic debates over the manipulations of trade by governments.

Rose (1978) also believed that US government measures to increase corporate cashflows would become inadequate if American

manufacturers did not adopt effective marketing strategies, despite the political economic debates over the manipulations of trade by governments. He argued that Japan's success in international trade depended to a great extent on the rapid growth of its internal economy which enabled Japanese manufacturers, unlike their US competitors, to understand the close connection between the internal and external markets without due emphasis on an ethnocentric orientation. Rose was critical of American producers for not reducing their profit margins to defend themselves against Japanese competition and for not becoming more export-orientated in cultivating overseas markets. US producers were 'product orientated' ceding the bottom end of their market, enabling the Japanese to move in with lower priced mass produced products and to challenge them later in the higher technology specialised sectors such as cars and consumer electronics. He saw the Japanese as able to simultaneously repeat such marketing successes in Western Europe. Furthermore, Rose maintained that if the Japanese manufacturers hit harder than their US competitors, it was probably because they had a clearer understanding of the dynamics of international competitiveness.

This view is not accepted by Wolf (1983) who made charges in his book that individual Japanese industries were efficient but that their competitive advantage was based on borrowed, copied or stolen technology and that Japan's industrial elite in its 'Tenth Day Group' cartel had secret agreements to raise prices in Japan of consumer durables in order to subsidise losses in western markets when using price-cutting to gain market entry and to destroy western domestic firms

Wolf (1983) stated that Japan had not played fair by American rules because the individual corporate strategies of Japanese companies were harnessed by MITI to destroy American industry systematically through market means. It was not American industries which were ethnocentric. American firms had not been able to withstand such a systematic onslaught and successive American governments had not woken up to this realisation of Japan's 'economic war' against America.

But Japanese government intervention in industry has been seen as 'guidance' not economic warfare by Morishima (1982) without deliberate concerted effort to undermine other countries. Morishima attributed Japan's success in trade to the fact that since the Meiji Restoration of 1868, Japan's business world has been guided by its governments which have protected and subsidised industries such as oil refining, petrochemicals, motor cars, artificial fibres, industrial machining and electronics, while curbing excessive production. Morishima also put the emphasis on harmony being valued where business enterprises were communities binding management and employees together by a common fate and common interests. Morishima put forward the point that unlike Western firms Japanese competitiveness had an element of greater state intervention because there was a natural tendency not fashionable in the West to listen and cooperate with government policies concerning industry.

Lazer, Murata and Kosaka (1988) argued that the widely held misconceptions about Japanese government protection and closed business practices were misguided. Japanese marketing was shown to have a definite international dimension, taking international factors into account in designing the marketing mix. Japanese executives

were seen to be human relations orientated in setting marketing goals and determining strategies. American firms through their neglect of consumers and markets were blamed for giving Japanese firms the opening to establish themselves in the US. They saw Japanese marketing qualities as helping Japan to emerge as a 'world class marketer'. Their explanations contained a description of the phases through which Japanese industrial society had passed to reach this supremacy (Table 12). These phases were premarketing, marketing awareness and interest, acceptance and diffusion of marketing, expansion of the marketing domain and global marketing emphasis.

TABLE 12
THE DEVELOPMENT OF MARKETING IN JAPAN

Phase	Date	Selected Significant Occurrence
Premarketing	Prior to 1953	Japan Society of Commercial Sciences Emphasis on basic needs and manufacturing Random sampling and marketing research Gaining technology Improving image of Japanese products Necessities of life: Television
Marketing	1953-1964	First marketing research agency awareness of Japanese Productivity centre (1955) interest Japan Marketing Association (1957) Rapid economic growth First consumption revolution Liberalization of trade Product planning emphasis Translation of marketing articles and books First periodicals on marketing First marketing course Marketing study team visits
Acceptance and diffusion of marketing	1965-1969 1966	Spreading affluence: Mass consumption Supermarket growth: Association of Voluntary Chains 1967 Tokyo Distribution Centre Advertising and TV Product diversification Electronic technology and new products Acceptance of Japanese products Rationalization of distribution Adapt marketing approaches: Status products Japanese approaches to marketing Japan Institute of Marketing Science Research Institutes
Expansion of the marketing domain	1970-1973	Oil boycott Environmental of Pollution issues Social issues and responsibilities Productivity and efficiency emphasis Consumerism movement: Major market Quality of life: High consumption Liberalization of foreign exchange and trade Expansion of exports
Global marketing emphasis	1974 to present	Global markets: mature or saturated markets Impotence of autos and steel: oil shock Increase in efficiency: International focus Expansion of exports: Trade surpluses Reduction of barriers: increased competitiveness Orderly market agreements: Increasing market share Knowledge industries: Hi-tech industries

Source: Journal of Marketing (1985), Spring, Vol 49, p73

Lazer, Murata and Kosaka's study (1988) was one of the few attempts to 'dig beneath all the surface', seen as important by Dentsu and Shigmaguchi (1978). The concentration in the literature has been on a comparison of the short-term objectives of western firms contrasted with the advantages of Japanese firms. Abegglen (The Economist, 1986) pointed to the overriding emphasis placed on the return on investment, the shareholder's objective, of Japanese firms. Lazer and others stated that, in addition to this, the adversarial nature of management and worker's relations was a factor contributing to poor American performance and ought to be taken into account as one of the explanations for slow American global advances in world markets.

Summary

The discussion in the literature has gone into the question of whether the Japanese were efficient marketers (eg Lazer 1988) or unscrupulous ones (eg Wolf 1983) compared to Western firms because the competitiveness of such firms has appeared to be affected by government support or non-support for industry. What seems relevant for testing is whether American, British and Japanese firms exhibit ethnocentricity in their marketing orientations, in order to determine the competitive factors for success, and not merely attribute this to government intervention or non-intervention. The growth of competition on an international basis can be seen to be an inevitable consequence of the expanding international marketing activity (Baker 1989). Ethnocentric firms may therefore put themselves at a disadvantage. So hypothesis 8 seems relevant for testing overseas to determine whether foreign owned firms competing with indigenous British ones are more or less ethnocentrically oriented and whether

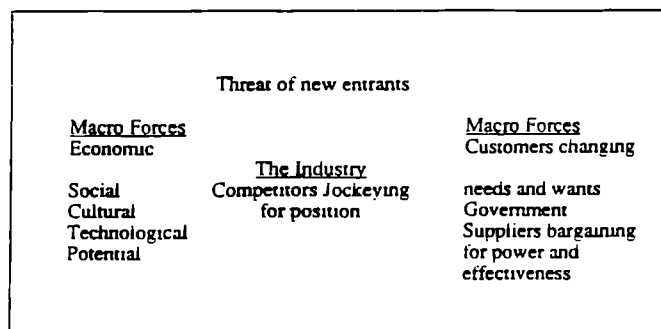
ethnocentrism has an impact on the market success of their subsidiaries abroad.

2.10 **Hypothesis 9: Successful firms clearly focus marketing strategies at targeted opportunities in national markets to develop global advantages.**

Effective competition implies a strong link between the selected marketing objectives and the means with which they are implemented by the firm. This principle applies in the consideration of national and global markets. As Keegan (1984) stated, the marketing principles guiding strategy development are fundamentally similar for both domestic and foreign markets. Hypothesis 9 seeks to examine the ways in which overseas competing firms from Japan and the United States can transfer and make their marketing strategies work across national boundaries.

In Figure 15, Porter (1980) showed the major forces influencing the competitive strategies of firms to demonstrate that firms had to jostle for position in the middle as members of their 'industry'.

FIGURE 15
FORCES INFLUENCING COMPETITION IN AN INDUSTRY



Source: Porter, M., (1980) 'Competitive Strategy'

In his 'Competitive Advantage of Nations', Porter (1990) takes this further to show examples of where overseas firms can gain advantages over domestic ones in the latter's markets. For example, Porter contended that Japanese firms in a variety of industries gained because the needs of their home buyers anticipated those of other nations over energy costs, efficiency and conservation. The long distances between Japan and many markets stimulated innovations in logistics and demand for its shipbuilding industry. Japanese investment in robotics research funded out of overall corporate earnings paid off in spawning successes in automated production lines for the car industry, machine tools and bearings production.

On the other hand Japan had also been a recipient of technological know-how and technical assistance programmes from the west. It had initially been seen to produce imitations of standardised mature products with earlier advantages of low labour costs for export markets (Wenlee Ting, 1982). Overcoming its dependence on imported resources by prospering through a protected domestic market and relatively free access to western technology and markets would have helped Japanese polycentric and geocentric orientations. But the consequences of trade friction over its high surpluses with the UK and USA was forcing radical changes in Japan in order to stimulate domestic demand for imports and to reduce Japans large trade surpluses. As Michelson (The Economist Conference Unit, 1988) stated, the shifting balance of economic power from the west to Japan have led to 'resentment, frustration and growing protectionism' from other developed nations.

The Economist (1989) pointed out that Britain offered 'low labour costs and relevant skills' as inducements to attract Japanese investment. If such competitive advantages can be found in Britain, why have Japanese companies continued to make advances into British markets and not indigenous British producers? The Economist put forward a paradox for consideration. It argued that British business may be "too international, more willing to buy up foreign companies than invest in good old Britain". It cited evidence from the American 'Mergers and Acquisitions Magazine that in 1987 and 1988 British firms spent £30 billion buying American firms and thus beating Japan's spree in the USA. The abolition of Britain's exchange controls in 1979 with its oil based current account surpluses of 1980-1985 were given as reasons for the outward flow of British investment. This was to be overtaken by Japan in 1985 as the world's biggest net creditor. Arguments about Japanese low labour-cost advantages or UK firms needing to shift to offshore production because of rising labour costs may now appear exaggerated, according to the Economist.

Lipsey's work suggested that overseas market shares held by American firms were very steady, especially those of American multinationals indicating that they were strongly competitive with other overseas firms including the Japanese. Lipsey's work on the competitiveness and comparative advantage of US multinationals (Banca Nazionale Del Lavoro Quarterly Review, 1987) suggests that while the US share of world manufactured exports declined steadily from the 1950s to the 1970s (Table 13) their 'exports position' seemed to be insulated from changes in home-country policies or circumstances because of ownership of businesses or operations in several countries and worldwide responsibilities for decision making. Typically for most,

decentralisation is into international divisions run by specialist staff. In the UK, John and Snelson (1987) found that most successful British and American businesses were technology-led in engineering and chemicals and market-led in food.

Table 13

SHARES (%) IN THE WORLD EXPORTS

		1957	1966	1977	1982	1983	1984
1	US	21.3	17.5	13.3	14.3	13.7	14.0
	<u>US Multinationals</u>						
2	Parents	n.a.	11.0	9.2	9.5	9.1	9.2
3	Majority owned affiliates (MOFA)	5.8	8.2	9.7	9.7	9.9	10.3
4	Parents and MOFA	n.a.	17.7	17.6	17.7	17.7	18.1
Source:		Lipsey, R (1987) 'The Competitiveness and Comparative Advantage of US Multinationals 1957 - 1984' Banca Nazionale Del Lavoro, Quarterly Review (vol 161) p151					

The overall share of US based multinationals (Table 13) including exports by parent companies and the majority owned affiliates (MOFAs) remained stable and increased slightly in 1984 (see line 4 in the diagram). The growth of the affiliate exports to 10.3% in 1984 more than offset the decline in the US performance as a whole. This seems to show that multinational firms are able build upon local strengths in their diverse markets and build global advantages in the way in which they can allocate resources and target opportunities in national markets. Lipsey (1987) stated that more research on the characteristics which determined the competitiveness of firms and the attractiveness of countries in terms of production locations should be emphasised.

Rugman (1987) found that the world's largest five hundred multinationals accounted for about half of the values of international exchange. They possessed a bundle of competitive advantages in

raising capital, exploiting scale economies or increasing distribution channels. For example, business corporations could shift to offshore production if they did not find it easy to achieve cost economies or efficiencies at home. By taking advantage of scale economies and controlling sources of cash flow in different national environments an organisation can also develop competitive advantages. An appeal like this is described by Hout, Porter and Rudden, (1982).

However, some of the literature on export research seems to place greater importance on distribution channels in facilitating market success abroad. The Uppsala School (Rosson and Reid, 1987) held that foreign market operations were frequently dominated by intermediary distributor and agent activities who had almost sole responsibility for promotion, market research, setting inventory and service provision. These converted for the exporter strategy into action in a specific foreign market. This view is modified by Rosson and Reid (1983) who emphasised the importance of the links between 'processes, structure, strategy and organisation'. These have been variables included in Waterman's et al 7's' framework. Rosson and Reid saw exporting as strategic requiring a combined management and marketing focus, with the choice of channel as the 'embodiment' of an exporting firm's strategy. The research carried out by Bilkey (Reid and Rosson, 1987) based on a judgement sample of firms in the United States on their export marketing practices to the ten export destinations of Australia, Canada, France, Japan, Mexico, the Netherlands, Saudi Arabia, South Africa, the UK and West Germany concluded that a subsidiary or foreign distributor were the two most profitable export channels.

This may explain why Japanese firms have put extensive dealer support behind their dealer operations, as in the UK car market and used subsidiary or affiliate selling structure as in the UK consumer electronics industry. In other words strategic modes of entry into Japan regarded to be profitable can also be applied by the Japanese themselves to overseas markets. This would seem to indicate that the distributive and selling tactics in the marketing strategies of successful exporters can be transferred across national boundaries despite the increased complexities of operating in international markets.

The difficulties faced by firms in overseas markets in the 1970's were given by the International Marketing and Purchasing Group (IMP) which made detailed analysis of buyer and seller interactions in the five industrial markets of France, Italy, Sweden, Germany and the UK. It took the view that suppliers and buyers had to form relationships to obtain mutual benefits, some of which were difficult to quantify such as access to market and technical information, and responsiveness in handling customer complaints (Turnbull and Cunningham, 1981). The IMP's criticism of western firms included:-

- a lack of understanding of how foreign firms work;
- an unwillingness to change normal established procedures;
- a lack of joint product development and skills in understanding buyers' problems or analysing customers' needs; and the reluctance to learn and use foreign languages.

In this context some British firms were seen to lack interest and skills in foreign market ventures thereby reducing their long-term competitive abilities. Buckley (1987) asserted that firms could be competitive provided there were reductions in costs, adaption to local

demand conditions, improvement in market intelligence and information with the appropriate timing of strategic moves. These are seen as factors which contribute to marketing effectiveness and hence competitiveness.

A wider perspective to this has been taken by Baker Hart and Black (1987). They stated that to impute competitive success to marketing factors alone was unsatisfactory since four sets of factors of environment, organisation, strategy and management affected competitive performance. They attributed the shortcomings and lack of empirical work in the literature to examination of only one set of factors and its effect on corporate success concentration on successful companies only and within growth sectors of an economy.

Hamel and Prahalad (1985) identified three types of response for US and European firms to follow in the face of Japanese advancements. First, to follow low cost strategies of globalization, hence the geocentric or regiocentric approaches, to minimize costs in productive capacities and improve quality. Second, to improve their managerial effectiveness in organisations. Third, to have a competitive-market focus, to improve on their international distribution and market penetration strategies.

Summary

Criticisms in the literature of the performance of Western firms in exporting as seen in the IMP study, may appear to be justified on the grounds that the American and British have been less competitive than the Japanese, measured by the manufacturing trade deficits of the former and the surpluses of the latter. The limitations indicated in the

literature (Baker, 1989) also showed the need for more empirical field research. The scarcity of the direct comparisons of the marketing strategies of companies from different countries seems to support the investigation and testing of hypothesis 9 to examine how Japanese and American headquarters companies focus their marketing strategies at targeted opportunities in national markets and develop global advantages.

2.11 Hypothesis 10: Globally successful firms are stronger market and technological innovators and investors with less dependence on low prices to sustain market entry.

Hypothesis 10 seeks to examine whether firms that compete successfully in a number of world markets avoid the short-term tactics of low price. While low price bears an economic advantage in sustaining initial demand, it can create the longer term problems of continued low priced expectations in the minds of customers, with low profit margins, and claims from competitors of low quality products being dumped on their markets. Global competition is essentially long-term and therefore includes more than an analysis of current demand but Japanese firms have been accused of undercutting western competitors on price (The Economist, 1989).

Ohmae (1985) stated that Japanese firms were successful because they could count on mass production, incremental managerial improvements, marketing, technology, fast turnaround time for innovation, small systems and hardware orientation, and a strong quality orientation amongst their strengths. Price was only one factor but Ohmae acknowledged that the degree of financial support from government and public R & D funds to such Japanese industries made a

real difference. Western governments' allocations for their aerospace and defence sectors were large but comparatively small for their domestic industries. This resulted in Japan overtaking its OECD partners in the early 1980s in terms of non-defence R & D expenditures as a percentage of gross national product.

The literature on the ability of successful firms to marry their technological capabilities with their market requirements seems to be oriented towards comparing the abilities of Japanese companies with western companies because of Japanese successes in western markets (Management Today, 1987). It has been argued that even if factory productivity in the US were raised over that of overseas competitors, it would be difficult to negate low foreign exchange rates, foreign export subsidies and Japan's 1.04% GNP contribution to defence compared to 7.88% in the USA. Abegglen and Stalk (New York Times, 1985) like Ohmae, found that the competitive strength of Japanese companies lay in not only price but also the quality of their products. There was a highly competitive level of R & D expenditure 'with technological innovation becoming the centre of competitive capability'.

Whilst US and UK governments' funds to defence were found to be higher than those of Japan, these writers support the view that of the big Japanese corporations, 'the Kaisha' spent more of their total revenues on research 1983 (5.1%) compared to American corporations (3.7%). Thus commercial gains were likelier to accrue with the greater resources given to Japanese industries, thereby increasing their technological competitiveness in world markets.

However, the Japanese have been perceived to be unfair in trade with claims that Japan 'soaked the west for its technology when it was poor' but hoarded knowledge from their own technological advances, concentrating on product

development rather than basic scientific research (Financial Times, 1988). But there has been some evidence of scientific knowledge flowing from Japan to the USA as Japan progresses to being 'an exporter of ideas' (The Economist, 1989). Although Japan spent \$3 billion in 1985 on foreign technology compared to \$2.7 billion in 1970, Japanese firms also earned \$898 million in 1985 compared to \$373 million in 1980 exporting their technological know-how.

Japan is reputed to achieve 'high savings, investment and productivity growth rates through national development strategies that mobilise resources and foster work incentives' for long-term prospects (Lodge and Crown, 1985). In contrast, the UK and the USA have been seen to pursue 'wide-ranging diplomatic and domestic goals' which did not dampen domestic consumption for imports nor foster a climate that would significantly increase the competitiveness of their manufacturing industries.

However the belief that Japanese successes in markets are supported by unfair trade practices persisted, according to Drucker (1983). This has prompted European and US Trade Commission investigations into dumping and allied issues such as a 'beggar-thy-neighbour policy ie. stimulating Japanese exports to reduce Japanese unemployment at the expense of other countries. As Hoshino (1982) puts it, Japan's rapid economic growth was in sharp contrast to the UK's position, which had a comparatively low economic growth rate despite its large exports of technology. Dudler (1988) maintained that complaints about unfair trade practices served to cover up the deficiencies of firms for 'wrong product profiles, ignorance of consumer requirements, non-adherence to agreed quality standards, lack of sufficient image, sales promotion and poor-sales service'.

Prentice (1984) pointed out that Japanese management strategies in technology had enabled them to mass produce for world markets successfully. He identified certain Japanese key strengths as high R & D investment into civil research with a higher proportion of R & D staff (24 Japanese researchers per 100,000 of population compared to the UK's 14 per 1,000 of population) investment in production technology (eg. computerised programming and robotics) high product quality and high management quality.

This is supported by Stone (1984) as being a story of "manufacturing and marketing strategy bolted onto a firm technological base in an integrated way". Others like Hannay and Steele (1986) had also pointed out that the competitive leverage obtained from the 'technological advantage' was more important than low pricing. In a study of the US competitiveness in automobiles, aircraft, electronics, fibres and textiles, machine tools, pharmaceuticals and steel, Hannay and Steele supported the view that the most dramatic common theme was the world scale nature of those industries which reflected the realities of international competition. Foreign competition analysed showed that Japanese superiority in advanced technology lay primarily with good management in technology, operations, choosing reliable suppliers, and giving responsibility for quality and output to workers. There was a close tie between technological leadership and *financial performance* which included the ability to obtain capital.

Lodge and Crum (1985) maintained that the UK's decline in competitiveness stemmed from a "mixture of antiquated economic theories, inconsistent government policies, ineffective management-labour practices and unrealistic priorities", at a time when the erosion of international cost differences, diffusion of advanced technologies and the development of foreign infrastructures were taking place. In other words while the efforts of some

American firms and US trade policies centred on calls for trade restraints, domestic subsidies and protectionism against overseas producers, the market environment in the USA was drastically changing for ethnocentric organisations. For instance, the USA was losing its capacity to produce certain classes of machine tools, electronics and specialised bearings, to overseas producers.

Ethnocentric firms were put at a disadvantage when overseas competitors took wider options in their markets such as joint venture agreements making possible the use of local networks, market intelligence, technology, distribution channels and access to local markets. A feature of a growing geocentric orientation was the use of pre-emptive strategies, as in the alliance with a domestic partner for sole distribution of a foreign firm's products in a particular local market contributing to its 'strategic agility' in the commercialisation of ideas and a manufacturing response that would shorten scheduled production cycles.

Explanation for Japan's large market share gains included its rise in technological competitiveness with a large capacity for 'imitation and high investment'. Fagerberg (1988) argued that the US loss in market share might have been unavoidable as it was a major technological innovator, with a high proportion of its natural resources diverted to defence and military establishments. In looking at the national factors determining company competitiveness, Abernathy, Clark and Kantrow (1981) suggested that the complex relationships between the dynamic environments in which firms operated and the culture, training and resources of firms should be studied more.

Table 14

Relative unit labour cost and growth in market share

<u>Country</u>	<u>Relative Unit Labour cost (RULC)</u>	<u>1961-1973 Growth in market share (Value predicted)</u>
Japan	31.0	103.3
UK	-25.7	-16.2
USA	-33.9	-29.8
Source: Adapted from Fazerberg, J. (1988) 'International Competitiveness' The Economic Journal.		

Fazerberg (1988) showed a comparison of twelve countries, there was support for the arguments that the fastest growing countries in terms of post-war exports and GDP also experienced the fastest growth in relative unit labour costs (RULC). Table 14 showed this comparison for the three countries, Japan, UK and USA. The rise in labour costs had been commonly assumed to restrict employment and lose market share as in the other two countries. Fazerberg showed that this was not the case with Japan because it had technological strengths and was prepared to invest in its industries from corporate earnings. He maintained that Japan's market strength was derived from this.

Fazerberg's view (1988) focussed on one narrow aspect. Others have seen Japanese strengths in marketing as a predominant factor to consider. On the question of strategic effectiveness Rohlwink (1988) believed that many companies often encountered severe difficulties in bringing about the strategies that were formulated. It required the ability to coordinate the various business operations and managers from all major functions had to be involved in the business plan. Competitive firms therefore needed to display clearly defined marketing strategies as part of their characteristics.

Hamel and Prahalad (1985) took this further. They stated that those who defined international competitiveness as no more than low-cost manufacturing, were aiming at the wrong target. Those who failed to identify the strategic intentions of their global competitors could not anticipate competitive moves and often shot behind the target. Seeing it in terms of global war, Hamel and Prahalad saw 'world brand domination' as the goal. Retaliatory cross-subsidisation, using financial resources from one part of the world to fight a competitive battle in another was used to describe the battle. They saw the Japanese as winning the global competitive war against their western competitors. So they advocated a framework (see Table 25) to include three types of strategic intent for Western companies which were building a global presence defence and overcoming fragmentation in the development of strategic initiatives to respond to the Japanese challenge. The authors argued that Japanese competitors had been successful at building a global presence leaving US firms to defend domestic dominance and European firms trying to overcome national fragmentation.

Table 15

A GLOBAL COMPETITIVE FRAMEWORK

British global presence	Defend domestic alliance	Overcome national fragmentation
1965 Access volume	.	
	Response lag	Response lag
1970 Redefine cost-volume relationships		
	Match costs	
1975 Cross-subsidisation		Reduce costs at national subsidiary
	Assortize world-scale responsiveness	
1980 Contiguous segment expansion		Rationalize manufacturing
	Gain retaliatory capability	
1985		Shift focus of strategic responsibility
1990		
Source: Hamel, G and Prahalad, C (1985) 'Do you really have a global strategy?' HBR (July-August) p143		

The authors claimed that strategic intent, the obsession for winning in the quest for global leadership, may have led Japanese organisations to be more inventive with their resources. Western firms were seen to respond by copying their Japanese counterparts eg moving to off-shore production to obtain low labour costs, cost cutting improvements and investment in technology. They were also criticised by the authors for following the traditional planning methods of portfolio planning leading to competitive imitation but not to innovation.

The learning and experience curve concepts can arguably be motivators for Western firms to 'go global'. Shifting to off-shore production might have been a result of firms not finding it easy to achieve cost economies or efficiencies at home due to rising production costs. So the advantage in having a global competitive strategy seems to be that an organisation can develop a worldwide vision on competition and control leverage points, reduce costs and thereby sell quality products at competitive prices.

Summary

The need to combine effective marketing mix strategies for global markets with innovative product development and high investment priorities is therefore supported in the literature. However the orientation in the literature has been on Japanese successes and American and British demise in these respects. Hence Hypothesis 10 seems to be relevant for investigation and testing to examine in a sample of headquarters companies in Japan and the United States, what comparative strengths and weaknesses lie in both Japanese and American parent approaches to globally oriented strategies.

2.12 Hypothesis 11: Competitive organisations encourage closer parent-subsidary relationships and maintain greater scrutiny and evaluation of their subsidiaries' marketing performance.

To be responsive to global markets, Ohmae (1985) pointed out the importance to corporations of 'reorganising the age of global products'. He argued that companies were increasingly faced with difficult balancing acts in decisions on what and how to centralise, and what decisions to leave to the discretion of local managers. Such decisions had been exacerbated by the globalisation of markets and products. Multinational companies needed to restructure and reassign responsibilities at local, regional and corporate levels' because of the growing number of products sold around the world. Ohmae (1985) stressed, large corporations need to pay attention to the way in which their subsidiary functions are organised in order to be more effective in responding to the needs of their markets in different parts of the world. Hypothesis 11 seeks to discover whether a critical factor in the effectiveness of marketing strategies lies in the close nature of the relationship between a headquarters company and its overseas subsidiary.

In a two-way relationship, the subsidiary may get the benefit of the collective management expertise and resources for investment from its headquarters organisation whilst the latter may have control, oversight and feedback of the successes or failures of its subsidiary's marketing programmes. Hypothesis 11 seeks to analyse the closeness of this relationship, the degree of independence or tight control, the direction of feedback and information flows, and performance appraisal of marketing as exercised by headquarters. This analysis includes the views of managers in both subsidiary and parent firms as to whether they see their headquarters subsidiary relationship as helpful or frustrating to the subsidiary's marketing strategies and operations.

There is present in the literature a commentary on the evolution of organisations with centralised and decentralised planning and control, and the importance of responsive global networks and local material demands. For example, a theoretical framework in the evolution of organisational structures with centralised to decentralised and integrated control is provided by Keegan (1989). Keegan in the examination of multinational and subsidiary organisations put forward three alternatives to be considered on international business strategies. These were Stage 1 international, Stage 2 multinational and Stage 3 global (see Figure 16). These incorporated the progressive stages of Perlmutter's EPRG scheme which have been mentioned in the discussion under hypothesis 8.

In Figure 16, the basic strategy in Stage 1 is the internationalisation process which is evolutionary and not standardised. Management's assumptions are ethnocentric and a typical product sourcing plan is a direct export arrangement with standardised marketing programmes. Research and development are concentrated in the home country. In Stage 2 product sourcing inclines to local manufacture with decentralisation of organisation and R & D. Marketing is partially standardised with key jobs going to host country nationals. In Stage 3, there is integrated world-wide R & D, key jobs go to the best people and marketing is standardised in terms of a common organisational approach to planning and achieving corporate goals. Product sourcing takes account of all the costs and profitability factors take place.

Figure 16

INTERNATIONAL BUSINESS STRATEGY: THREE ALTERNATIVES			
	STAGE 1	STAGE 2	STAGE 3
Strategic Dimension	International	Multinational	Global
Management assumptions	Ethnocentric	Polycentric	Geocentric
Design	Extension	Decentralisation	Integration
Structure	International division	Regional divisions	Matrix/grid
Planning process	Top-down	Bottom-up	Interactive
Decision making	Centralized	Decentralized	Circumstantial/interactive
Marketing process	Not standardized	Partially standardized	Standardized
Marketing programs	standardized	Unique	Circumstantial/interactive
Product sourcing	Export	Local manufacture	Lowest cost
Human resources			
Key job nationality	Home country	Host country	Best person
Country management	Home country	Host country	Best person
HQ management			
R&D, product development	Home country	Decentralized fragmented	Circumstantial/interactive
Control/measurement	Home country standards	Decentralized	Circumstantial

Source: Keegan, W. (1984) *Multinational Marketing Management* (Prentice-Hall Inc) p 262.

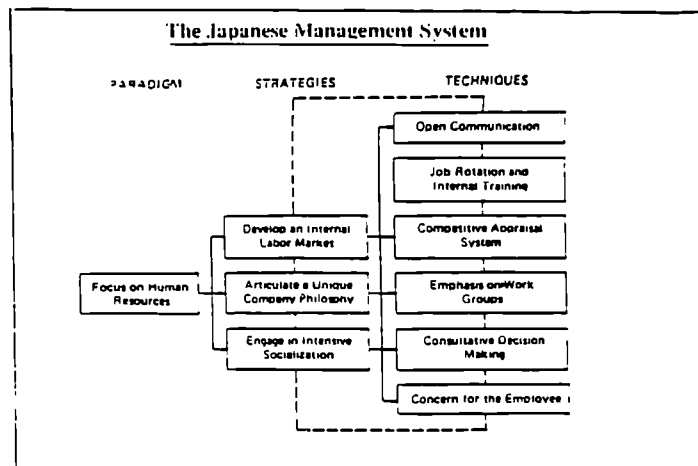
The appeal of having a geocentric orientation, as suggested by Keegan, is that an organisation can develop a worldwide vision of competition and control leverage points. Ohmae (1985) and Peters and Waterman (1982) emphasised that the senior management of a corporate headquarters organisation had to have methods for picking up information or pre-empting the opportunities of other competitors by being strategically placed on a global scale. For example, global products made in one country required a consistent and co-ordinated worldwide marketing operation. For instance, Canon Inc was seen by Ohmae to change from "a local technology oriented consumer optoelectronics company to a global 'first-class' organisation". This helped it to establish itself in a position of market leadership in cameras and plain-paper copiers in the 'Triad' markets of Japan, Europe and the United States.

A perspective on the success of Japanese management organisation is provided by Pucik and Hatvany (1988). They proposed that the successful basic organisational paradigm (see Figure 17) in large Japanese organisations was the 'focus on human resources', that is, a shared amalgamation of common rules and intuitions which related to three strategic thrusts. These were a faithful internal labour market with desired skills; a company philosophy

emphasising cooperation and teamwork in the concern for employees welfare; and close attention to hiring and integrating employees to fit into all levels of the company.

Figure 17

The Japanese Management System



Source: Quinn, J., Mintzberg, H and James, R., (1988) The Strategy Process, Prentice-Hall, p.352.

Pucik and Hatvany (1988) stated that the value system of Japanese managers and executives placed a premium on maintaining the corporation as a semi-permanent group of individuals tied together with lasting bonds. They argued that this led to a focus on a market share orientation, aggressive innovation and the competitive spirit where markets are to be 'captured or defended'.

In contrast, Goold (1987) listed the pitfalls which have arisen in western companies because interventions from corporate headquarters have been seen as "disruptive and irrelevant". Goold listed such descriptions as:-

- a) abandonment of the normal planning and control criteria to enforce arbitrary edicts (eg cutting all overheads by 10%);
- b) tunnel vision in following particular strategies; furthering the 'baronial interests' of particular groups or divisions;

- c) over-reliance on bureaucratic formal planning systems;
- d) lack of support for non-core businesses;
- e) failure to create a lack of consensus for action;

The findings of Hamermesh and White (1984) stated that corporate managers needed to focus on the internal functions such as marketing, sales, engineering and the production capabilities of their subsidiaries, as Japanese firms did. They suggested the need to enhance performances by 'tailoring the organisational context to the business unit's competitive strategy' and by devoting attention to 'operational details and productivity improvements', but did not report on empirical studies in these contexts or comparisons drawn between corporate organisations from the 'Triad' (Europe, USA and Japan). There appears to be a lack of empirical studies on parent and subsidiary relationships, and their contact and control mechanisms to improve global competitiveness.

Differences in the triad, particularly between Japanese and Western firms have been highlighted by different writers. Donaldson (1985) has stated that in western organisations, the decision-makers in corporate headquarters set different goals in response to different priorities. These were to follow aggressive growth in promising market segments, with high spending on investment; keep superior management and technical personnel; provide employment; maintain a stable revenue stream; and diversify.

These were articulated for the benefit of investors, managers, employees, customers and host communities alike but they were all achievable. At the same time, Donaldson saw a tendency for western firms to restrain their activities, in R & D and staff training to fit their resources.

This latter point has been a basis for a critical indictment of western companies by Hamel and Prahalad (1989) over the concepts and techniques guiding western competitive performance over the past two decades. The authors argued the following points.

- a) Widespread use of organisation structure with decentralised strategic business units (SBU's) in western companies discouraged coordination across different businesses and countries. Product life cycles, generic strategies and product portfolio matrixes constrained them within strategic strait-jackets.
- b) Japanese companies 'leveraged' resources by challenging all organisational personnel to achieve dramatic personal, group and corporate goals, unlike the common western approach of trimming a company's ambitions to match available resources known as the 'strategic fit'.
- c) Japanese 'strategic intent' while in a desired leadership position also involved an active management process over ten to twenty years to reinforce the overall target through medium and short-term programmes in quality achievements, cost reductions, cultivating export markets and underwriting new product development. This active management process involved a commitment from all managers alike to these corporate goals and philosophy of their enterprises. The vague mission statements couched in financial terms from western companies were not providing the direction for winning a global competitive war. Japanese corporations were thus seen to be able to sustain the obsession over the ten to twenty years quest for global leadership. This obsession is described by Hamel and Prahalad as 'strategic intent'.

The importance of marketing is not disputed nor the importance of integrative relationships between a corporation and its subsidiaries, as put forward in the literature. But as Hamel and Prahalad indicated, it is clearly the ways in which marketing knowledge, organisational and managerial expertise are applied, that separate the strong from the weak.

Hamel and Prahalad (1989) believed that applications of concepts such as strategic fit between resources and opportunities, generic strategies low cost vs differentiation vs focus and the strategy hierarchy goals, strategies and tactics had contributed to western decline. They stated that Japanese global competitors had a perspective fundamentally different. Western thought was typically focussed on existing resources, human, technical and financial. Japanese firms had ambitions out of proportion to their resources and capabilities. However, there are few empirical studies or discussion in the literature concerning the lines followed by the authors that western organisational structures and management control had put managers in strategic strait-jackets.

Other sources in the literature indicated a different perspective. For example, the Financial Times (1988) stated that the value of Japanese organisations in the USA is less than that of the Dutch and UK companies. The Japanese presence, like the presence of the US multinationals in Europe twenty years ago had appeared threatening only because of the fast and successful pace of its sales and investment in highly visible sectors like cars, consumer electronics, computing technology and machine tools.

Another viewpoint put by Buckley and Mirza (1985) was that Japan's achievements should be taken in a more reasonable context. Japan's exports based on GDP per capita still lags behind that of the USA, Germany and

France with a high deficit in services. Powerful western multinationals were capable of standing up to the Japanese challenge. The management consultants, Cresap (Financial Times, 1988) stated that all head offices' activities of large firms should produce recognisable benefits for the operating units. These units had the right to be consulted on the inclusion of additional activities and to take part in the evaluation process.

However Dunning and Pearce (1985) thought that the presence of foreign multinationals in the UK had tended to improve the competitiveness and efficiency of indigenous firms. Foreign owned companies in the UK performed 'above industry norms in almost all sectors individually'.

Summary

The discussion in the literature has pointed towards Japanese successes in western markets compared to the shortcomings of western firms and attributed this in part to weaknesses in the management of western firms. A shortcoming in the literature appears to have been a lack of empirical studies on the issues of headquarters and subsidiary relationships, and the comparison of such relationships between companies of different nationalities. This supports the testing of hypothesis 11 to examine whether closer headquarters and subsidiary relationships and scrutiny enhance the effectiveness of the marketing strategies of overseas subsidiaries.

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CHAPTER THREE

INDUSTRIAL PERFORMANCE AND COMPETITION

2.0 ABSTRACT

This chapter examines the competitive conditions and the fortunes of the five UK product sectors of the research. The decline in the indigenous British shares of UK and world markets has been reflected in the overall pattern of relative demise in the UK manufacturing industry in the 1970s and 1980s.

The findings of this chapter concluded that long-term marketing planning and product innovation in British manufacturing industry suffered from a combination of factors such as a lack of investment, poor demand under recessionary conditions, cost cutting and rationalisation. There was an emphasis towards survival, short-term sales and short-term profit considerations. The lack of confidence in British manufacturing industry was in sharp contrast to the confidence of Japanese subsidiaries over capturing market share in industries previously dominated by British and American firms.

The analysis in this chapter of the reasons for the British manufacturing decline and the impact of overseas competition with regard to the American and Japanese competitors supported the UK hypotheses for investigation. These were based on whether the marketing strategies of those companies highly oriented towards market share, new environmental opportunities, fast market adaptation, aggressive use of marketing tactics, more effective marketing organisation, entrepreneurship and experimentation enabled them to become successful competitors in the industrial sectors of the research. The analysis into the marketing competitiveness of the British and foreign competitors also supported the investigation of the overseas hypotheses, since the research sample included the UK subsidiaries with American and Japanese parentage.

3.1 INTRODUCTION

The analysis of the U.K. competition in the audio/hi-fi, industrial bearings, machine tools, microwave ovens and photocopier markets presented in this chapter along with the comparative performance of American and Japanese firms. This is followed by an analysis of UK manufacturing performance as a whole in order to put into perspective the extent and intensity of the overseas competition.

The research samples were based on manufacturers and their subsidiaries. So the contribution of this chapter in examining the market success or decline of American, British and Japanese performances in the five UK industries is intended to aid the analysis of the competitive market situation prior to subjecting the hypotheses for investigation. The research is focussed primarily on the marketing aspects, but the supporting functions of research and development, technology and investment have been discussed in this chapter as they have an impact on the overall competitiveness of the marketing strategies of firms.

3.2 COMPETITION IN THE FIVE UK MARKETS

This section presents the production and export figures in percentages for Japan and the U.S.A. to show the sizes of output and shares of their exports on a comparative basis. Manufacturing industry as a whole is very susceptible to the competitive pressures exerted by international competitors and the figures indicating the markets for the five industrial sectors are no exception. For the sake of consistency the 1984 and 1989 figures have been given to show the change in position over five years. The market share figures of the leading producers for the UK market are shown. The rankings provide an indication of the dominance of overseas competitors in the UK.

3.2.1 The UK Audio/Hifi Market

The audio/high fidelity market includes components eg. receivers and accessories, and finished products such as tape recorders, compact disc players and packaged audio systems (turntable with radio tuner/amplifier, plus cassettes or cartridges). Within the consumer electronics industry the audio/high fidelity market represents an important sector in the domestic and commercial environments where recording and playback facilities are required for purposes such as entertainment.

This market in the U.K. has become dominated by foreign owned 'British' companies, mainly Japanese. The audio/hi-fi figures are included by the Japanese industry under 'consumer electronics' which also include video recorders because the same manufacturers usually produce both.

The industry is very competitive and the companies in the sample were not willing to disclose actual sales figures. However, the rise to dominance of the Japanese firms in the consumer electronics industry has been very significant increasing the pressures on such western companies as ITT, Alba, and Binatrone. For example the Electronic Industries Association of Japan (EIAJ) in 1988 in its publication 'Investing in Britain': Japan's Electronics Industry, stated:

'In 1971 not a single Japanese manufacturer was based in Britain. By 1987 there were 57 Japanese manufacturing companies.....including 21 in the electronics industry.....representing £75m worth of investment.'

A total UK market estimated by Mackintosh Ltd at US\$ 1.2bn for the industry in 1990 seems highly lucrative to successful overseas companies such as the Japanese audio/hi-fi manufacturers, which have set up subsidiaries in the U.K. U.K. figures are shown in Table 16 for finished products in portable packaged and audio separate systems given in market volumes and prices.

TABLE 16
THE UK AUDIO-HI-FI MARKET

	Actual		Forecast	
	1985	1986	1988	1990
<u>Market Volumes (000's units)</u>				
Portable/Personal Audio	9640	10155	8910	8305
Packaged Audio/hif-fi systems	1310	1500	1450	1270
Audio separates system	540	530	550	590
Total	<u>11,490</u>	<u>12,185</u>	<u>10,910</u>	<u>10,165</u>
<u>Market Development at 1986 Trade Prices</u>				
Portable/Personal Audio	272	289	273	282
Packaged Audio Hi-fi systems	150	171	162	150
Audio separates systems	206	268	363	228
Total	<u>628</u>	<u>728</u>	<u>798</u>	<u>857</u>
<u>Market Development at 1986 Retail Prices \$m</u>				
Portable/Personal Audio	394	417	397	410
Packaged Audio/Hi-fi systems	211	240	235	210
Audio separate systems	306	396	541	633
Total	<u>911</u>	<u>1,053</u>	<u>1,173</u>	<u>1,253</u>

Source: Pioneer Inc, Japan (1988):-
Extracted from BIS Mackintosh Ltd, UK Audio Market Survey (1988)

As Table 17 shows, Japan has the largest production and export percentage of output compared to the USA or the U.K. The U.K. figure of exports is high as the Japanese manufacturing subsidiaries of Pioneer, Sharp, Sony, Akai, and Matsushita's National Panasonic established in the UK, have all contributed to the production and exports of the British consumer electronics industry. The U.K. market has been important and attractive to Japan. Some of the reasons for this are: the UK's proximity to and membership of the European Community, its political stability, its free markets and the efforts of the British Government to attract foreign (including) Japanese investment to the U.K. As stated by the Financial Times (1991),

"Investment in the UK rose 30% to \$6.8bn.....almost the same as Japan's foreign investment in the whole of Asia. The UK remains a favourite within Europe because of the languages, the low cost of labour in comparison with other North European states and because of the many Japanese groups already using the U.K. as a base".

TABLE 17				
Consumer Electronics (audio/hifi and videos) Production and Exports				
Country	£M Production 1984	Exports as a percentage of production	£M production 1989	Exports as a percentage of production
Japan	19,920	70.1%	30,490	77.1%
USA	5,990	24.5%	6,510	30.1%
U.K.	940	43.8%	1,020	49.5%
Source: ELAJ, 1990.				

There is no indigenous British producer of audio/hifi equipment. The largest competitor of the Japanese manufacturers has been ITT, an American subsidiary. Since the Japanese producers have been competing with one another in Japan and overseas, they were understandably reluctant to disclose their own market shares. The Japanese consumer electronics industry has continued to expand from £19.9m in 1984 to about £30.5m in 1989 with a high export figure to the rest of the world at

77.1% as shown in Table 17. In comparison, U.K. exports also improved in 1989, 5.7% up on its 1984 position, though still behind the Japanese but ahead of the U.S.

Taking the 1989 production figures into account, the Japanese consumer electronics industry is about five times bigger than that of the USA and thirty times bigger than that of the U.K.

There is a difficulty in estimating the allocation of market shares between Japanese and Western companies, and between Japanese companies as the product brand leaders consistently claim to have significant and growing market shares. The industry is very competitive and since the companies in the sample were unwilling to disclose actual sales figures, rankings have been given in Table 18.

TABLE 18

<u>U.K. Audio/Hifi Market leaders</u>	<u>1989 Rank Position</u>
Matsushita (National Panasonic)	1
Sony	2
Sharp	3
ITT (US)	4
Akai	5
Sanyo	6
Pioneer	7
Source: EIAJ, 1991	

National Panasonic, Sony, Sharp and ITT claimed over 12% of the market shares each for audio/high equipment. However ITT claimed that its share was concentrated in the prestigious end of the market for committed lovers of high quality sound recordings and playback systems. Akai saw itself as following quite strongly with over 5% market share, but could not compete in resources or size of organisation with the top three market leaders. Pioneer considered itself to be a growing competitor in the audio and recording facilities particularly with their development of compact disk systems.

3.2.2 The U.K. Microwave Oven Market

Microwaves cook food more quickly than conventional methods so that the appeal of microwave ovens to customers is that of speed, convenience, versatility and cleanliness. They can also be promoted as status symbols in the modern convenience product range for households. Microwave ovens therefore have a distinct market sector within the cooking appliances industry in both domestic and commercial catering environments.

The UK market for microwave ovens, as has audio/hifi, has become dominated by overseas competition particularly from the Japanese. A reason for this was given by an ITT U.K. director interviewed during the course of the research in 1987. He remarked that since ITT was a large business conglomerate with concentration on its high technology industries, telecommunications and military defence equipment, it was not surprising that the company should put less emphasis on being the market leader in the UK consumer electronics market. However this does not explain why large Japanese organisations like Toshiba or Hitachi have been able to dominate these UK markets as well as effectively competing in the high technology sectors.

The microwave oven industry can perhaps reflect the difficulties faced by indigenous British manufacturers of domestic home appliances. By 1975 the recessionary effects in the U.K. from high interest rates, industrial relations problems relating to coal and steel industry strikes and the introduction of the three day working week (1973 - 1974) had discouraged investment in product development. Table 19 shows the production figures and exports percentages for microwave ovens. The Japanese figures showed a growing trend in the exports of microwave ovens to over 60% in 1989, with much less change in the exporting performances of the USA and the U.K.

TABLE 19				
Microwave Oven Production and Exports				
Country	£M Production 1984	Exports as a percentage of production	£M production 1989	Exports as a percentage of production
Japan	270	59%	380	64.5%
USA	9,100	20.1%	12,500	21%
U.K.	220	1.8%	310	2.3%
Source: AMDEA, 1991				

The UK Association of Manufacturers of Domestic Electrical Appliances (AMDEA) in a telephone interview estimated the volume of annual sales to be growing at 1.4m units from the mid to the late 1980s, and slowing down in 1990. UK manufacturers had the technology to develop the microwave oven for the domestic market but had not done so. The UK director of the US firm, Litton, claimed that they developed the microwave concept for cookers. However, Toshiba's market success with the domestic microwave oven in the U.K. in 1974 established a potential which Sharp and Phillips were quick to follow. The other US manufacturers of microwave ovens along with Litton had originally pioneered the microwave ovens for the catering trades in industry and not for the domestic market, and this was their loss. The loss of failure

to exploit the opportunity to dominate in this important sector of the domestic market home appliance industry by indigenous British manufacturers or their US competitors can be demonstrated in Table 20.

As in the audio/hifi industry, the ranking of the market leaders provided an indication of the dominance of certain companies (see Table 20). The research interviews appeared to indicate only that Sharp and Toshiba were the market leaders with over a 20% share each. Japanese manufacturers dominated the sector with Matsushita's National Panasonic, Hitachi, Sanyo and Toshiba amongst them.

TABLE 20

U.K. Microwave Oven Market Leaders	1989 Rank Position
Sharp (Japanese)	1
Toshiba (Japanese)	2
Thorn (British)	3
Sanyo (Japan)	4
Phillips (Dutch)	5
National Panasonic (Japanese)	6
Hitachi (Japanese)	7
Source: The Japan Electrical Manufacturers Association, 1990	

This ranking has continued without change since 1986 with the market leaders continually striving to innovate the product features of microwave ovens. They were also seeking to reassure both the new user and the replacement markets that home cooking in such ovens was safe and highly satisfactory, given the adverse publicity in the 'scares' over food poisoning in undercooked and frozen meals.

3.2.3 The U.K. Photocopier Market

Originally with its roots in xerography photocopiers are used to reproduce low, medium and high volume copies from originals or copies of paperwork in office environments for profit and non-profit making enterprises. The reduction in the size of photocopiers from large floor standing machines to compact desk-top models to meet modern office needs with a correspondingly larger price range has led to the expansion in the market to small, medium and large businesses. While photocopiers can be used in the domestic market, this market unlike the one for microwave ovens is insignificant at present compared to the sales to the commercial and industrial sectors concentrated upon by the photocopier manufacturers and dealers.

Japanese successes in the audio/hifi and microwave oven markets have been repeated in the photocopier market. Actual market figures in terms of national sizes have been difficult to ascertain due to their incorporation into the statistics for 'industrial electronic equipment'. Table 21 gives the total figures for industrial electronic equipment which includes wire and radio communications system, electronic application, measuring and business equipment. The source of this information is The Electronic Industries Association of Japan. This is followed by Table 22 on the unit placements of photocopiers from Dataquest, London (1991). From this source the size in volume terms for the U.K. photocopier market can be estimated at over 91,000 units.

TABLE 21				
Industrial Electronics Production and Exports				
Country	£M Production 1984	Exports as a percentage of production	£M production 1989	Exports as a percentage of production
Japan	25,790	40.2%	78,450	58.2%
USA	115,820	19.4%	156,660	27.6%
U.K.	10,870	48.8%	19,030	30.2%
Source: EIAJ 'Facts & Figures', 1990				

U.K. exports as a percentage of production declined to 30.2% in 1989 with the loss of market shares from both Rank Xerox and Gestetner, both regarded as indigenous British manufacturers. By 1983, Rank Xerox had been overtaken by Canon Inc, Japan as the market leader whereas Gestetner became an Australian subsidiary in 1990.

The market leaders have branded each others' equipment. For example, Ricoh has an exclusive dealership with Nashua Copycat, USA to sell both their equipment in the USA whereas Kodak have been supplied by Canon for some of its copier equipment and has been selling it under the Kodak name. The establishment and penetration of the Japanese copier manufacturers in the USA may account in part for the increase in the production and export figures for the USA in 1989 compared to 1984. IBM withdrew from the manufacture of copiers in 1986 although it continued to support its existing customers through the Nashua franchise.

TABLE 22

U.K. Photocopier Market Leaders	Placement of Machines	1989 Rank Position
Canon	40,000	1
Rank Xerox	26,000	2
Sharp	15,000	3
Minolta	11,000	4
Gestetner	9,000	5
Source: Dataquest, London, 1990		

These figures have been supported by Infosource SA. In its 1988 rankings the top ten manufacturers included only one British firm (Rank Xerox), ranked second and one American firm (Nashua Copycat), ranked ninth. The rest were Japanese. In 1983, the UK market size was put at £560m and estimated to be over £750m from 1988. While Japanese companies have set up manufacturing subsidiaries in the UK and the USA, their exports have continued to rise to the USA, W-Europe and the newly industrialising economies, especially in Asia. Japan's Business Machine Makers' Association put Japanese exports at 1,801 units in 1984 rising to about 2,500 units in 1989. The UK market has represented a lucrative industry which has become dominated by foreign owned enterprises. The growth of imports into the U.K. has also been accompanied by the import of components for assembly in U.K. plants. This latter has been a subject for investigation by the European Commission since 1988 as part of its enquiry into foreign screwdriver operations to bypass European tariffs and restrictions.

3.2.4 The U.K. Machine Tool Market

Machine tools are treated as capital equipment in metal working industries, for example those producing fabricated metal products, machinery and transportation equipment. The industry covers the metal forming and metal cutting processes divided into two major categories:- conventionally and numerically controlled machines. Machine tools range from the stand alone machines to flexible manufacturing systems used in the computerisation and automation of modern production and assembly plants. The machine tool industry is essentially infrastructural to a manufacturing nation.

As shown in Table 23, Japan's total production was the highest at £2,339m in 1989 compared to the USA at £1,408m and the U.K. at £263m. The U.S. machine tool market has faced competitive pressures from leading Japanese and German producers. U.K. exports as a percentage of production declined in 1989 to 41.2%

TABLE 23				
Machine Tools Production and Exports				
Country	£M Production 1984	Exports as a percentage of production	£M production 1989	Exports as a percentage of production
Japan	2,339	35.7%	5,993	38.4%
USA	1,408	16.8%	1,996	28.9%
U.K.	497	45.5%	969	41.2%
Source: MTTA, London, 1990				

The Machine Tool Technologies Association (MTTA) stated in its 1990 'Machine Tool Statistics' that the 1989 export and import values were the highest recorded. With the removal of inflationary effects, exports were still well down on their record

values while imports were the second highest recorded in the last twenty-five years. The 1989 imports were put at over £519m compared with over £256m in 1984. U.K. machine tool production and exports have been struggling to reach the previous levels but these efforts have been progressively battered by consistent import penetration through the 1980s. Such problems in international competitiveness in the machine tool industry have been felt not only in the U.K. but also in the USA.

The Machine Tool Technologies Association (1991) estimated that there were at least three thousand different types and sizes of machine tools, varying in value from under £1,000 each to over £1,000,000. It is therefore very difficult to compare market shares of machine tool manufacturers. The computerised numerically controlled machines (CNC's) are custom-built individually for each large customer. Over the past twenty-five years (CNC) machines have been developed in the form of programmable units attached to machine tools which can be part programmed on-line by the operator or off-line in the production engineering office. These may contain more than one hundred cutting tools and perform the work of eight standard stand-alone machine tools. From the mid-1980s CNC technology has been further developed to incorporate the concept of the flexible manufacturing system (FMS) which has two or more machining centres linked and controlled by a host computer. The Japan Machine Tool Builders' Association claimed in a research interview that nearly 80% of its machine tools built for Japanese and Western markets were CNC machines with a rising proportion of FMS machines. Machine tool manufacturers tend to produce for specialised segments and those in the research sample were not necessarily producing machine tools that were directly comparable. This has been complicated by customer organisations increasingly demanding, as their own product technologies have matured, of machine tool manufacturers to produce equipment as close as possible to their own particular specifications. This has made it difficult to estimate actual market shares because of the need to compare equivalent types of

machine tools. So the U.K. rankings taken for flexible manufacturing systems are shown in Table 24.

TABLE 24	
U.K. Machine Tool Market Leaders (for FMS systems)	1989 Rank Position
Scharmann (W. German)	1
Fritz Werner (W German)	2
Yamazaki-Mazak (Japan)	3
Kearney & Trecker Marwin (British)	4
Cincinnati, Milacron (US)	5
Source: Machine Tool Builders' Association, 1990	

Other companies such as SMG (Sweden) and Mandelli (Italy) along with Japanese firms Hitachi Seiki and Makino have been in the international machine tool market FMS systems. The companies in the research sample apart from Yamazaki-Mazak and Cincinnati Milacron, (moving more towards sophisticated plastics technology), have been primarily concerned with FMS and CNC machines. The FMS rankings have been given however because the industry leaders in the U.K. and abroad would have to be active at this top end of the market in order to retain dominant leadership.

The largest single user of machine tools is the automotive industry but there is a large diversity of industries dependent on machine tools for their production facilities. Machine tools are used for metal working purposes in the agricultural, construction, heavy, general and precision engineering, electrical and electronics, aircraft and aerospace industries. Adding sub-contractors and consumer products' manufacturers to this list illustrates the extremely wide and varied end-user market for machine tools

and the difficulties of producing directly comparable market share estimations of manufacturers.

3.2.5 The U.K. Bearing Market

Bearings are used to reduce friction between moving parts of machines in various types of equipment. The ball and roller bearings market is a diverse and vast one, as many products in the modern world use them such as in the automobile, automotive, aerospace and electronic industries. Unlike the other four product markets researched, bearings are components and are not usually seen by end-user customers. The recent economic trends may be summarised as:

- a) Higher capital costs compared to the early 1980s.
- b) Falling overall capital investment, but increasing investment in new manufacturing technologies.
- c) Uncertainty over the effects of rising interest rates and sterling's strength.
- d) Intense price competition in major markets.
- e) A relatively old capital stock, difficult to sell in open markets.
- f) Overcapacity, and
- g) Moderate decline in profits over the past few years.

Understandably U.K. manufacturers of ball bearings and machine tools are nervous of Japanese penetration of their markets, having seen their impact on their car, photocopier and consumer electronics industries. Evidence of this is shown by the protectionist sentiments in the U.K. and USA presented by firms to the continual enquiries of the European Commission and the US International Trade Commission (1986) into dumping allegations by Far East exporters, notably Japan. For example, the U.K. bearings industry in 1987 with sales of over £300m saw imports as a percent of domestic bearing consumption increased to over 10% from 7% in 1980 from Japan.

The increase in the level of imports and the decline of the U.K. as a major bearing manufacturer took place against the background of a poor investment climate, retrenchment in the industry and a reduction in British workforces, as affirmed later in the interviews with British Timken and Torrington in the U.K.

Table 25

Ball and Roller Bearings Production and Exports				
Country	£M Production 1984	Exports as a percentage of production	£M production 1989	Exports as a percentage of production
Japan	2,125	37.8%	2,830	44%
USA	3,640	25%	3,920	28.6%
U.K.	292	22.3%	340	26%
Source: The Japan Bearing Industrial Association, 1990.				

Table 25 shows the changes in the production figures of Japan from £2125m in 1984 to £2,830m with an increase in exports to 44% in 1989. This is still a higher proportion than the US and the U.K. changes in both their production and export performances.

TABLE 26	
U.K. Bearings' Market Leaders	1989 Rank Position
SKF (Sweden)	1
FAG (W Germany)	2
Ina (W Germany)	3
SNR (France)	4
Timken (USA)	5
NTN (Japan)	6
NSK (Japan)	7
Torrington (US)	8
UPI (U.K.)	9
Source: SKF, 1990	

Both British Timken and Torrington are US subsidiaries but regard themselves as indigenous British producers. Another US subsidiary, Barden Precision Bearings also regards itself as an indigenous producer because it was set up in the UK just after the second world war. The Japanese and West German firms were regarded by them as latecomers to the British market. Despite this, they have lost market shares to these firms and as the rankings in Table 26 showed, the top four producers are non-British.

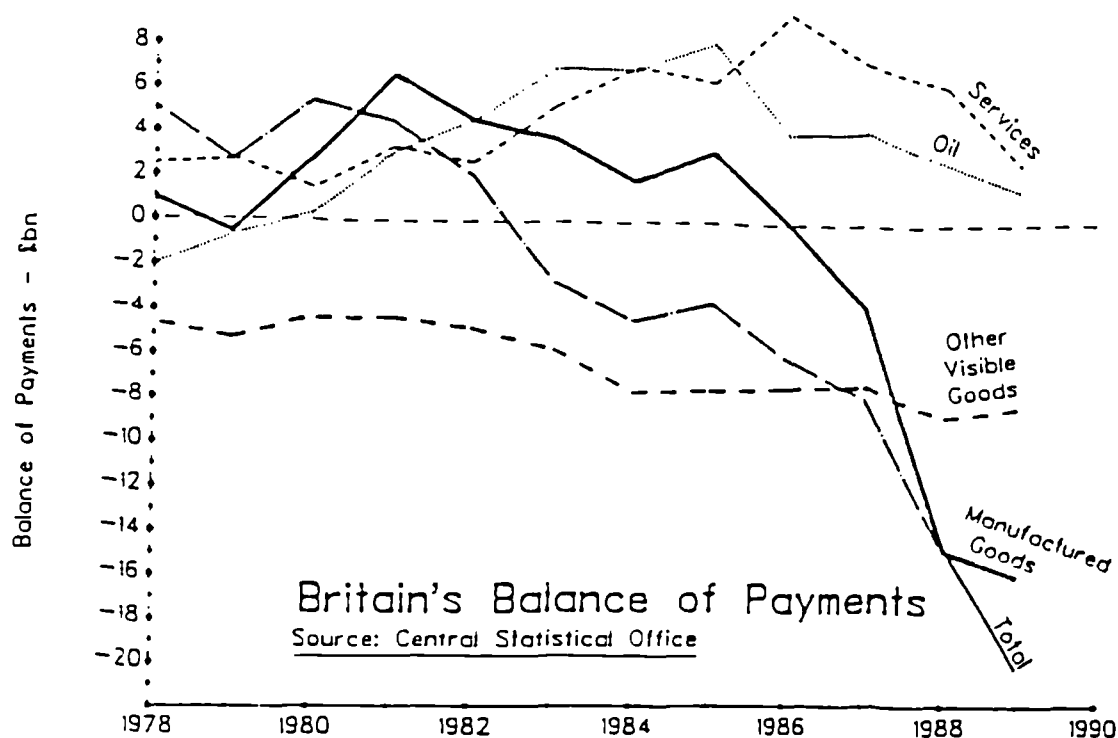
The ranking for the fifth position has undoubtedly altered after 1990. United Precision Industries (UPI) was Britain's biggest manufacturer of bearings. This was formerly known as Ransome Hoffman Pollard (RHP) which itself was a merger of 3 British bearings' producers. UPI was bought in January 1990 (FT,1990) by Japan's largest bearings producer, Nippon Seiko (NSK). UPI had sales of £117m in 1989 and a 2% share of European markets.

The combined sales of UPI and NSK amounted to £160m in 1989 in the world bearings market. Compared to this, the U.K. bearings market amounted to about £340m in 1989. Seen in this context the combined strength of UPI and NSK has worried the remaining US subsidiaries in the U.K. because the Japanese producers after 1990 owned more than a half of bearings manufacturing in the U.K. In addition another Japanese producer, Minebea, a relatively latecomer to the U.K. market, had bought Rose Bearings from APV, a food equipment maker in 1988. When the research started with the companies in the sample, there was still at least one significantly large British bearing manufacturer. By 1990, this situation has changed as the Japanese producers have become much more dominant in the U.K. directly through their acquisitions of British bearing producers.

3.3 COMPARISON WITH UK MANUFACTURING INDUSTRY

The state of competition in the five industry sectors examined has shown the continued weakening position of U.K. manufacturers. On a national basis, the decline in British manufacturing industry in general can be illustrated in Table 27. From its peak in 1983, the decline in manufactured goods was reversed temporarily in 1985, after which it sharply fell from 1986 to a deficit of over £16bn by 1989. This was the background against which British producers in the five industrial sectors have had to operate. Being part of this process, they too saw imports rise in their industries and intensified competition in their domestic markets which was not alleviated by a much smaller rise in exports. This section puts into a wider perspective the national conditions and pressures under which the British producers in these five industrial sectors have had to operate, as many of their domestic industrial customers were also facing overseas competition, declining market shares and retrenchment.

TABLE 27
UK TRADE PATTERNS: BALANCES CURRENT PRICES



A comparative measure of the industrial production performances of the UK compared to the USA and Japan is provided in Table 28. The index showed the change in industrial production over six years. In the five years from 1985 to 1990 the largest change was for Japan 25.3%. For the USA it was 15.7% and for the UK 9.2%.

Table 28

Index of Industrial Production (1985 = 100)

	<u>Japan</u>	<u>USA</u>	<u>UK</u>
1984	96.4	98.3	84.8
1985	100.0	100.0	100.0
1986	99.7	100.9	102.9
1987	103.1	105.9	105.7
1988	112.9	111.6	109.6
1989	119.9	114.5	110.0
1990	125.3	115.7	109.2

Source: Extracted from the FT April 29 1991, p6

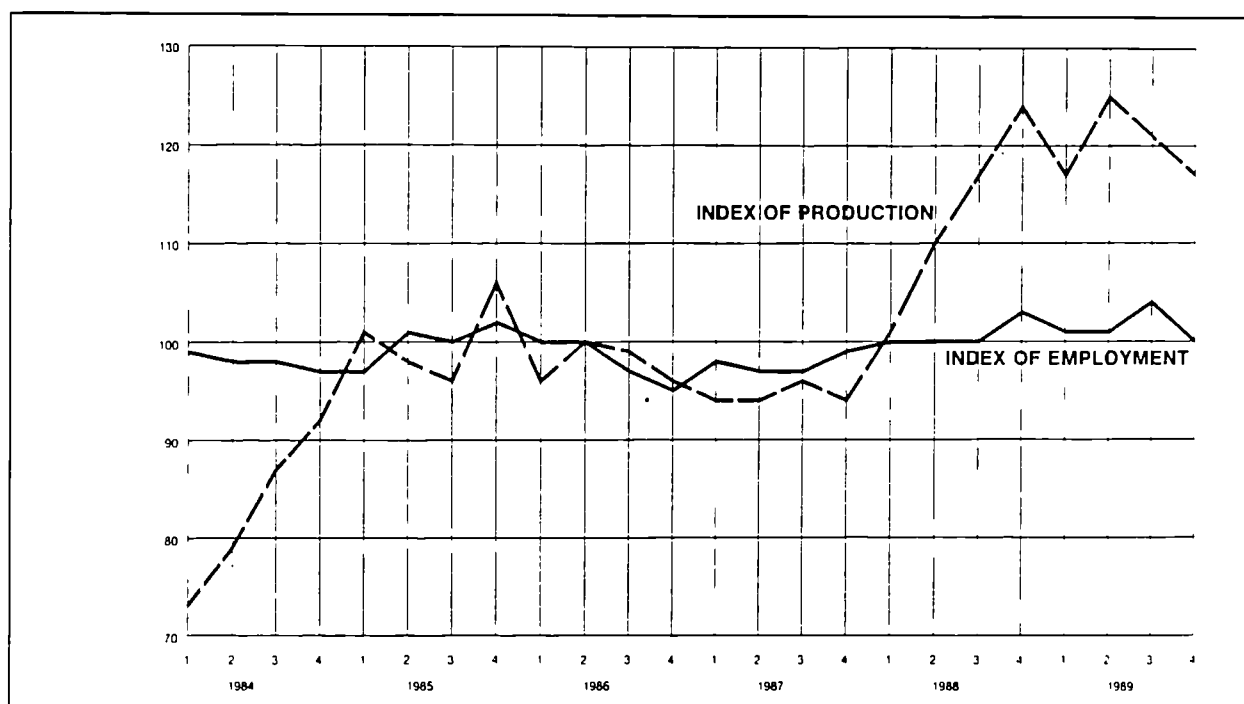
The decline has spread to major sectors such as 'other visible goods' and 'services' as shown in the previous table. Business confidence in the manufacturing sector has therefore been aggravated by the further loss of domestic demand. A Confederation of British Industry survey (FT, 1991) charting 'producer confidence' is shown in the accompanying table. Table 29 shows "Key answers compared with the corresponding period of the 1980 recession.....where there is a balance of pessimists over optimists". The survey found that the pressure on margins dampened producer prices with "the balance of companies expecting to raise prices at its lowest since 1967". The survey also related to unemployment where its majority of respondents had expectation of laying-off their employees, describing it as a "British disease of putting all the pressure on staff numbers rather than pay costs".

TABLE 29

Two UK recessions: Balance of CBI replies						
Percentage balance	Jan '80	Apr '80	July '80	Oct '90	Jan '91	Apr '91
Business optimism	-45	-41	-7-	-47	-51	-17
Export optimism	-30	-21	-57	-26	-26	- 8
Expected employment	-35	-40	-58	-37	-49	-39
Expected volume of output	-11	-14	-41	-17	-30	- 8
Expected unit costs	76	72	63	46	44	21
Expected domestic prices	65	56	33	23	25	10
Source: FT, May 2, p.22						

This point can be examined with regard to the example of the machine tool industry. Table 30 showed how the quarterly index of production (productivity defined in units of production per employee) could be compared to the quarterly index of employment from 1984 to 1989. From the start of 1985 to the end of 1987 the gaps between the two indexes was less striking. However from the beginning of 1988 the machine tool industry substantially raised its productivity level without a significant increase in employment. Personal interviews with companies in the other four industry sectors have also borne out this 'leaner' and 'fitter' trend. This has been due to a combination of factors including rationalisation and cost cutting, but it has not protected British industry from international competition.

TABLE 30
QUARTERLY INDICES OF EMPLOYMENT AND PRODUCTION FOR THE
MACHINE TOOL INDUSTRY 1984-1989 (1985 = 100)

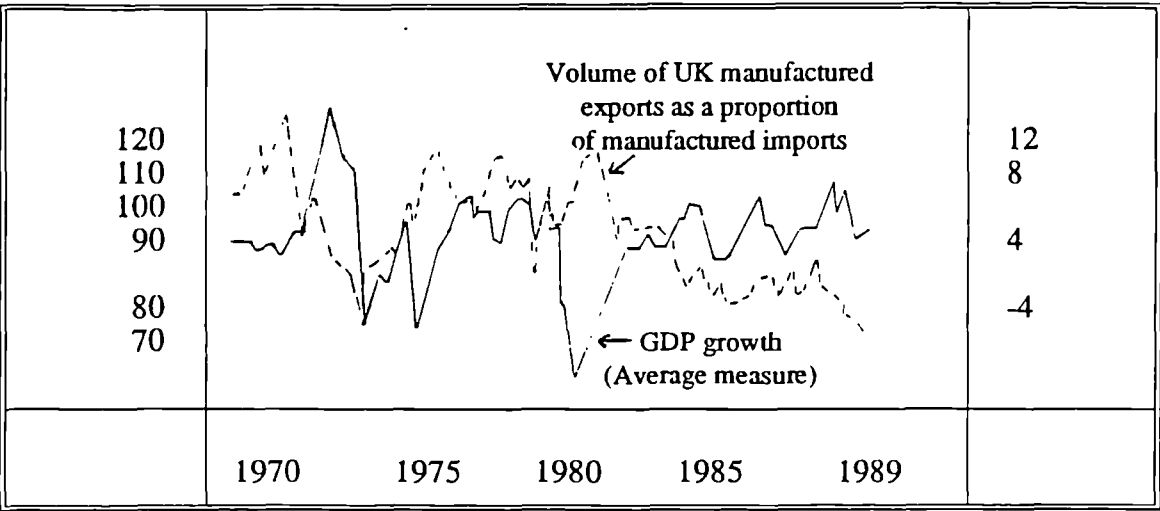


Source: MTTA, 1990

As the examination of the five industry sectors has shown, the production and exports of British goods compared less favourably with the performance of other nations, in particular, Japan.

The view of the performance of UK trade is supported in Table 31. The volumes of UK manufactured exports as a proportion of manufactured imports' can be seen to decline through the 1980s, even though gross domestic product as a measure picked up from 1980, although it tailed off in 1989.

TABLE 31
UK GROWTH & TRADE PERFORMANCE



Source: CSO statistics, 1990.

The implication is that economic decline along with the inabilities of UK firms to match the production capacities and marketing skills of overseas firms in international and domestic markets are a closely related phenomenon. The decline in British

manufactured exports can be contrasted with the rising level of imports needed to satisfy total domestic demand in the UK. This point is supported by the statistics in Table 41 showing UK exports and imports on a geographical basis. The visible balance of trade with 'other developed countries' which included Japan showed a deficit of -£2,864m in 1987 and -£3,502m in 1988. The total visible balance on trade showed the summary deficit rising from -£10,929m in 1987 to -£20.826m in 1988. The total level of imports had steadily risen to £101,428m by 1988 contrasting with exports lagging behind at £80,602m.

TABLE 32

Visible Trade. Trade on a balance of payments basis:geographical analysis

£ million

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Exports												
European Community ¹	14,058	18,084	21,467	21,938	24,267	27,956	32,962	37,898	34,738	39,016	40,817	47,296
Other Western Europe	3,633	4,766	5,581	5,054	5,282	6,021	7,072	7,548	7,154	7,788	7,441	8,159
North American	4,208	4,763	5,279	7,125	8,360	9,526	11,464	13,295	12,116	12,992	12,624	14,435
Other developed countries	2,298	2,472	2,656	2,922	3,245	3,153	3,704	3,800	3,643	4,086	4,514	5,516
Oil exporting countries	4,668	3,648	4,816	5,991	6,505	6,133	5,801	5,943	5,497	5,280	4,924	5,719
Rest of world	6,116	6,737	7,348	7,638	7,671	7,909	9,260	9,504	9,508	10,259	10,282	11,667
Total	34,981	40,470	47,147	50,668	55,330	60,698	70,263	77,988	72,656	79,421	80,602	92,792
Imports												
European Community ¹	16,545	20,767	20,709	21,899	25,590	30,631	36,344	40,348	43,499	48,437	54,270	62,266
Other Western Europe	4,524	5,880	5,805	6,145	6,653	8,430	10,778	11,585	11,404	12,443	13,421	14,896
North American	4,949	5,810	6,819	6,853	7,523	8,521	10,493	11,044	9,491	10,224	12,221	15,162
Other developed countries	2,712	2,752	2,844	3,089	3,957	4,587	5,198	5,997	6,438	6,950	8,016	8,630
Oil exporting countries	3,029	2,940	3,885	3,448	3,254	2,604	2,693	2,637	1,869	1,620	1,836	1,936
Rest of world	4,815	5,665	5,730	5,984	6,445	7,434	9,926	9,509	9,319	10,676	11,664	13,742
Total	36,574	43,814	45,792	47,418	53,422	62,207	75,432	81,120	82,020	90,350	101,428	116,632
Visible balance												
European Community ¹	-2,487	-2,683	758	39	-1,323	-2,675	-3,382	-2,450	-8,761	-9,421	-13,453	-14,970
Other Western Europe	-891	-1,114	-224	-1,091	-1,371	-2,409	-3,706	-4,037	-4,250	-4,655	-5,980	-6,737
North American	-741	-1,047	-1,540	272	837	1,005	971	2,251	2,625	2,768	403	-727
Other developed countries	-414	-280	-188	-167	-712	-1,434	-1,494	-2,197	-2,795	-2,864	-3,502	-3,114
Oil exporting countries	1,639	708	931	2,543	3,251	3,529	3,108	3,306	3,628	3,660	3,088	3,783
Rest of world	1,301	1,072	1,618	1,654	1,226	475	-666	-5	189	-417	-1,382	-2,075
Total	-1,593	-3,344	1,355	3,250	1,908	-1,509	-5,169	-3,132	-9,364	-10,929	-20,826	-23,840

¹Figures for all years relate to the eleven countries.

Source: CSO United Kingdom Balance of Payments 1990 edition, p.19.

It may be that the loss of industrial competitiveness in the UK, leading to its decline as a major exporter of manufactured products, has helped to highlight the successes of Japanese firms at the expense of British firms, albeit in a collective fashion. However, American firms coming from the world's largest national industrial market did not fare well in the collective sense compared to the Japanese (see Table 33).

TABLE 33
KEY ECONOMIC INDICATORS/PROJECTIONS

		1987	1988	1989	1990	1991	1992
Output (real GDP)	USA	3.4	3.9	3.0	1.0	0.2	2.7
annual % change	UK	4.7	4.8	3.0	0.6	-2.1	1.9
	JAP	4.2	5.2	4.5	5.6	3.6	3.9
Unemployment rate	USA	6.2	5.5	5.5	5.5	6.4	5.8
(% Change)	UK	10.0	8.1	7.6	6.0	7.5	8.5
	JAP	2.9	2.6	2.7	2.1	2.1	2.1
Current account	USA	-154.0	-132.0	-110.0	-99.3	-37.8	-98.5
payments balance	UK	-4.4	-25.5	-29.8	-22.8	-15.6	-19.9
(US \$bn)	JAP	87.0	79.0	74.0	35.7	42.0	58.0
Source: a) 1987-1989 figures are compiled from Barclays Bank's Country Reports. January 1989.							
b) 1990-1992 projections are from the 'IMF World Economic Outlook, April 1991 (Financial Times, 1990, April 25, p.6)							

The current accounts of the United Kingdom and the United States showed peak deficits in 1987 and 1988, albeit with subsequent decreases (see Table 32). Barclays Bank in 1989 stated that there would be continuing difficulties in making structural adjustments to American and British industries as a result of the loss of export and domestic markets. Despite the slow-down in the international economy from 1989, Japanese gross domestic product (GDP) and employment were expected to perform better than those of the UK and the USA. Consequently in contrast to the export-led

economy of Japan, the problems of competitiveness in trade were expected to persist into the 1990s for the UK and USA. As the earlier examination of the five industry sectors (audio/hi-fi, bearings, machine tools, microwave ovens and photocopiers) in this chapter has shown, the indications were that the successes of Japanese firms in these industries would lead to problems of competitiveness for the UK.

TABLE 34
Britain's Trade with Japan and the USA

Value (£m)	<u>Japan</u>		<u>USA</u>	
	1985	1989	1985	1989
UK exports	1,850	7,900	13,295	14,435
UK imports	5,000	2,800	2,251	15,162
Source: Extracted from CSO Statistics, 1990.				

The can be shown in Table 34. The steady rise in UK imports from Japan to nearly £7,900m in 1989 contrasted strongly with UK exports at £2,800m. In 1989 UK imports also rose from the USA to £15,162m. The retrenchment in British manufacturing as forecast by the Oxford Review of Economic Policy in 1986 has been borne out and can be seen to be hastened by a combination of a lack of investment and an increased rate of liquidations. The impact of competition from imports and periods of recession in the UK, eg. in the late 1970s and early 1980s, appeared to have contributed to this prevailing lack of confidence in British manufacturing, leading to underutilisation and the early scrapping of capital, as stated by the Oxford Review.

Table 35 illustrates that from 1984 as an overall indicator capital investment as a % of GDP in the UK showed a more encouraging trend rising from 8.5% to 10.0% in 1988. During these years the Japanese rise was more marked from 16.7% to 21.2%. In the USA it declined to 11.8% in 1986, improving in 1988 at 12.3% and falling again in 1989 to 11.7%.

TABLE 35
Capital Investment as a percentage of GDP

	<u>Japan</u>	<u>USA</u>	<u>UK</u>
1984	16.7	12.5	8.5
1985	18.0	12.5	9.2
1986	18.5	11.8	8.9
1987	19.2	11.8	9.0
1988	21.2	12.3	10.0
1989	23.2	11.7	10.2
1989 figures are annualised average based on 1st six months			
Source: FT June 5 1990, p.22			

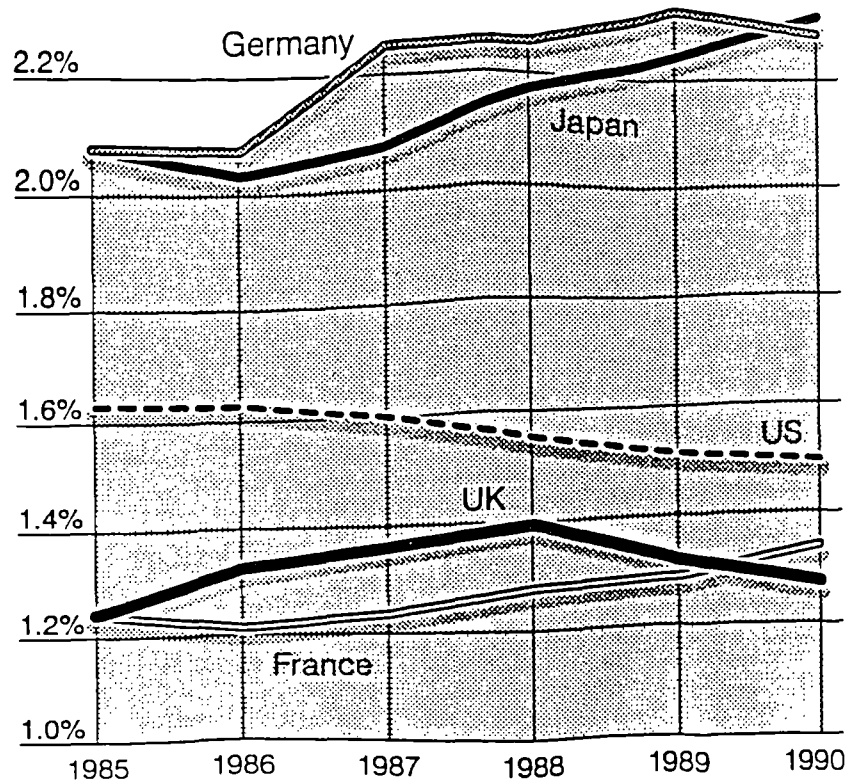
As the Financial Times (1990) puts it, the profits of leading export-oriented Japanese industrial companies were up by an average of 12% in 1989 which were attributable to higher margins on exports due to the weak yen. Such profits had implications for the US and European manufacturers as stated by the Financial Times,

"US and European manufacturers know from experience that a good chunk of those profits will be put into new investments that will make Japanese manufacturers even more competitive than they are now".

TABLE 36

R&D INVESTMENT

2.4% of domestic production (industry)



Source: FT 1991 May 30, p.19

As Table 36 shows, Japan's non-defence R & D spending had been rising since 1985, apart from 1986. This was significantly higher than the UK levels which fell from 1988 while the US level fell from 1986. This is highly significant in marketing terms for the application of new technology and the development of new products require investment in R & D and human resources to increase competitiveness.

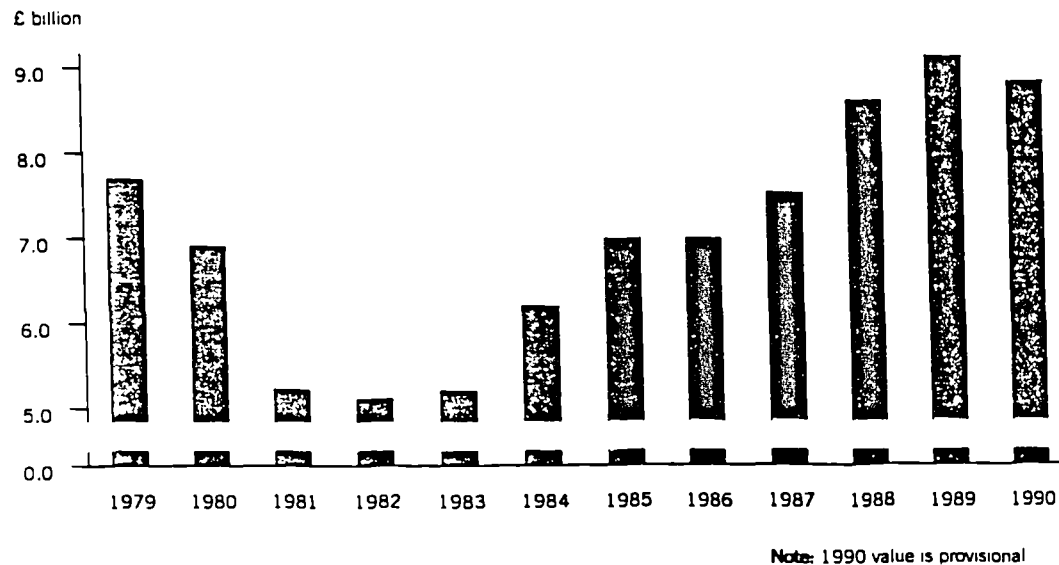
Since Japan was spending far less on its defence than the UK and the USA, it was able to focus on advanced technologies for industrial applications. Maintaining this theme, Patel and Paritt (1987) showed that from 1967 and 1983 the growth of UK

output was slowest. However, they argued that even if the rate had been as good as that of Japan, research and development would still have grown more slowly because of the unwillingness or inability of British firms to commit an increasing share of output or profits to R & D and at the same rate as foreign competitors.

The Economist (1988) pointed out that high technology industries including those making advanced machine tools or precision ball bearings for the aerospace industry, were not created overnight. They required longer-term commitment and investment with UK and overseas institutional shareholders being prepared to take more account of intangible investment in British firms rather than predatory profits in the short-term, which interrupted R & D programmes. British products needed to be engineered properly to ensure attractive, functionally competent designs associated with innovative manufacturing technology. This could lead to quality production and customers' satisfaction, thereby enhancing profitability.

The early 1980s saw gross fixed investment in plant and machinery by manufacturing industry at its lowest over a period of eleven years to under £5bn (see Table 37), peaking in 1989 at £9bn and falling in 1990 to £8.7bn.

TABLE 37
GROSS FIXED INVESTMENT
IN PLANT AND MACHINERY BY MANUFACTURING INDUSTRY 1979-1990
(in £billion, at 1985 prices, excluding leased assets)



Source: Basic Facts 1991, MTTA.

Any fall in gross investments is likely to accelerate the decline in British manufacturing and depress it even more. So the conclusion is that in order to compete in the UK and overseas markets UK manufacturing industry needs investment, properly engineered products, good R & D programmes and marketing expertise, as indicated by The Economist. However the continuing strength of imports has hampered the progress of manufacturing industry. For example, the National Economic Development Council (NEDC 1989) identified three problematic sectors where UK exports contrasted against imports had been weakest in the 1980s. Comparing 1988 with 1987, these were in cars and car parts, (a 37% deficit rise to

£5.3bn), clothing and textiles (a 30% deficit rise to £1.8bn, and consumer electronics (a 44% deficit rise to £1.48bn).

These industrial sectors are very important to the audio/hi-fi, ball bearings, machine tools, microwave ovens and photocopiers. For instance machine tools and bearings are used in the production of cars and car parts, whilst audio/hi-fi and microwave ovens are included in the statistics for consumer electronics, and industrial electronics in photocopiers.

The NEDC's explanations for the poor international performance of these industries were twofold:-

1. a domestic supply deficiency resulting from the inabilities of British manufacturers to produce the right goods in appropriate quantities to satisfy domestic demand;
2. a structural problem ie. the result of the progressive retrenchment or complete withdrawal from such industries by indigenous British firms because of the aggressive efforts of foreign competitors using UK distributors or their own subsidiaries.

3.4 CONCLUSION

The explanations suggests that 'weakness' in marketing, as indicated by the NEDC, is a highly important factor in the demise of these industries. Domestic demand did not appear to be satisfied by locally produced goods, hence the rise in consumption of imports. This suggests a poor application of the marketing concept, satisfaction of customer needs and weak targeting of customer segments through inadequate market research and planning. In order to test these assumptions the research into the marketing strategies of American, British and Japanese firms on a comparative basis might indicate their relative strengths and weaknesses in marketing.

From 1985 the volume of U.K. exports has been growing even though the rapid growth in imported manufactured goods has continued. The import content of the exports of manufactured goods is now higher with the sourcing of components from abroad and the establishment in the U.K. of subsidiary operations by foreign firms, notably the Japanese in preparation for the Single European Market in 1992. The National Institute Economic Review (1987) noted that firms were using their better profit margins for developing new products and markets for exports with improved labour relations and lower unit costs. These have encouraged international firms to invest in the U.K. for exporting to Europe.

To be successful in an integrated world economy Britain had to compete in the growing areas of high technology goods, like chemicals, pharmaceuticals, electronics, telecommunications, motor vehicles and aerospace. These industries are large and have to carry research and development costs far beyond the scope of small companies, while the costs and risks involved could not be sustained by operating only within the U.K. market. Therefore investment in U.K. manufacturing, productivity improvements and marketing expertise appears highly important for building a strong competitive base at home and for competing in global markets.

Marketing strategies and their applications need to be supported by investment in plant, machinery, products and people. The combination of a lack of investment and managerial commitment to production processes, product innovation and human expertise, as indicated in the figures and discussion in this chapter, served to 'undermine' the marketing strategies and competitiveness of indigenous U.K. producers. This has been reflected in the decline in the five specific industry sectors (audio/hi-fi, bearings, machine tools, microwave ovens and photocopiers) and in the overall picture of U.K. manufacturing industry. Moreover the U.K. and US measures compared to Japan also indicated poorer performances. The research into their

marketing strategies on a comparative basis is intended to examine relative resources and commitment to the marketing of products and organisational support to the marketing effort in strategic planning and applications.

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CHAPTER FOUR

RESEARCH RATIONALE AND METHODOLOGY IN THE UK STUDY

4.0 **ABSTRACT**

This chapter explains the nature of the 'Prior Research', 'Rationale for Own Research' and 'The UK Methodology' for subsequent desk and field research.

The findings under 'Prior Research' indicated that Japanese subsidiaries possessed greater marketing expertise and commitment to the goals of market share and leadership than their British counterparts. However, there were similarities in the organisational make-up such as the employment of British nationals in their management. In the 'Rationale for Own Research', the bases upon which the ongoing research proceeded are explained. The methodology for the ongoing research included interviewing senior managers in American companies who were interviewed on a personal basis with the aid of a semi-structured questionnaire designed to enable both exploratory and specific questions to be addressed. The appropriateness of using the chi-square test and cluster analysis methods was discussed. It also enabled comparability of results with those reported under 'Prior Research' to be analysed in the following chapter.

4.1 **INTRODUCTION**

This chapter is structured around three main sections to explain the prior research, the rationale for ongoing research and the methodology for the UK study. In the prior research, the hypotheses, methodology and findings of the ESRC study were presented. This linked into the rationale for own research because it provided the foundation upon which the ongoing research was built. The methodology for the ongoing research in the UK is explained with regard to the selection of the American sample. Use of a semi-structured questionnaire with personal interviews and the appropriateness of using chi-square tests and cluster analysis methods for analysing survey data are also explained.

4.2 **PRIOR RESEARCH: Hypotheses, Methodology and Findings**

The study on 'A Comparative Investigation of Japanese marketing Strategies in the British Market' by Professors Doyle, Saunders and Dr Wong, Bradford Management Centre (ESRC reference: F00232034) tested hypotheses about Japanese and British Marketing and compared their organisational characteristics. The study took into account the successes of Japanese manufacturers in capturing market share at the expense of indigenous British firms. The hypotheses compared the orientations of Japanese and British firms towards:-

1. market share versus short-term profits;
2. greater orientation to new environmental opportunities;
3. fast market adaptation rather than innovation;
4. more aggressive marketing tactics;
5. greater commitment to life-time employment;
6. market focussed rather than functionally organisational structures;
7. organisation, planning and control would be more informal;
8. a greater commitment to training, especially broad on the job development; and
9. a stronger belief in experimentation and entrepreneurship.

To test these hypotheses in the UK, thirty companies (Table 38) were chosen by purposive sampling from the audio/hifi, machine tools, plain paper copiers, microwave ovens and industrial bearings industries. The interviews took place in 1984. Selection of the industries were made on their national significance in growth and size with 'sensitive product' inclusion in the EEC-Tokyo trade discussions of 1983-84. Their exports were amongst the top twenty UK imports from Japan with local competitors to form comparisons. A semi-structured questionnaire (Appendix 4) was used to gather information and to obtain qualitative and quantitative data with which to provide comparable measures. Companies were contacted by letter and telephone for personal interviews. Confidentiality of responses was promised to the respondents.

Therefore, the pre-testing and correction of the UK questionnaire i.e. the survey instrument were carried out by Doyle, Saunders and Wong in their 'Prior Research'. The overseas questionnaire incorporated some of their UK questions (2-10) which constituted almost the first half of it. The second half of the overseas questionnaire on headquarters orientations had also been pre-tested by the previous researchers for other research which did not involve the author of this thesis. The author therefore benefitted from the experiences and knowledge of the prior researchers when it came to the application and conduct of the questionnaires in her field research.

The author of this thesis acknowledged that this was a limitation of her research because this condition was imposed at the beginning of her research to ensure comparability with the prior research activity. No tape recordings were used in any of the personal interviews. Cross-checking of managers i.e. sending back questionnaires to them to check the accuracy of their responses, was not carried out. However the managers were invited to send the photocopies of their completed questionnaires back especially if they had additional comments to make after the interviews. The response rate on this was poor as only two of the American subsidiaries in the United Kingdom

and four of the overseas firms did so, indicating that they might have felt that their time had been generously given already and they had little further to add. However of those returned, the results correlated well with the questionnaires completed by the author at the time of the interviews. It was also acknowledged that a weakness of the study was that the perception maps of senior managers interviewed were not checked for consistency in their views as these managers did not want their individual views made known by an outsider to other managers in their own firms or in their headquarters.

TABLE 38 COMPANIES PARTICIPATING IN THE STUDY

<p><u>Japanese:</u> Akai, Canon, Hitachi-Seiki, Natamura Tome, Niigata, National Panasonic, NSK Bearings, Pioneer, Ricoh, Sansui, Sharp, Sony, Takisawa, Toshiba, Yamazaki-Mazak.</p> <p><u>British:</u> Alba, Amstrad, Beaver Machine Tools, Binatone, Colchester Lathe, Ferguson, Fidelity Radio, Gestetner, Kearney and Trecker Marwin, Rank-Xerox, RHP Industrial Bearings, TI Creda, TI Matrix and Herbert Churchill, Tricity, Wadkin.</p>

The prior research findings supported the first four hypotheses that the marketing strategies of Japanese companies were more aggressive, oriented towards long-term market share, fast market adaptation and more effective at exploiting new environmental opportunities.

Their cluster descriptions, (Appendix 3) showed the successful, moderate and less successful types of companies according to product groups. More British companies in contrast to the Japanese were shown in the cluster descriptions to be more financial or production focussed rather than market focussed.

Successful Japanese firms were seen to be able to position their own products in the market place as the more desirable or superior alternatives which could command the higher prices and profit margins compared to weaker British ones. The weaknesses in

such British firms appeared to be both internal ie. too product and production oriented and external, with a lack of understanding and appreciation of successful growth strategies for the marketplace.

Hypotheses 5,7 and 9 did not appear to apply in their findings as the Japanese subsidiaries operating in the UK did not show a higher commitment to life-time employment, training or greater effort to socialise personnel in shared organisational values. Apart from the most senior levels, British managers were to be found in both British and Japanese firms so that their background and experiences were comparable. Hypotheses 6,8 and 10 seemed to have some support where the successful Japanese subsidiaries appeared to demonstrate three important factors in their favour. These were their more focussed product market divisional structures, their involvement of management personnel, greater team effort, with the continual monitoring of progress to encourage self-development and entrepreneurship.

4.3 RATIONALE FOR OWN RESEARCH

The ESRC study provided the foundation for ongoing research. Its hypotheses, methodology and findings are important to the ongoing research reported in this thesis in the following ways:-

- a) The four major hypotheses (1-4) in the ESRC study were adopted without any change whilst the subsequent hypotheses (5-10) were incorporated as hypothesis 5 and 6 in my own research. This meant that a manageable number of hypotheses could be examined ie. six for the field research in the United Kingdom and the addition of five new hypotheses for the research in the United States and Japan.
- b) The method of investigation through personal interviews with the use of a semi-structured questionnaire was continued. The findings of the

British and Japanese firms in the ESRC study were therefore directly comparable to the findings of the American subsidiaries in the United Kingdom research.

- c) The selection of American subsidiaries was drawn from the same industrial and consumer sectors as the Japanese and British firms to enable similar hypotheses to be tested and comparisons of results to be made for consistency and validity. This made possible a study of firms from three 'Triad' nations, the United States, Japan and Britain.
- i) The USA is the largest national industrial market in the world. Firms wishing to become global market leaders would be likely to face competitive pressures from American companies, their subsidiaries and their technologies in industrial markets (The Economist, 1989).
- ii) Japan is a leading industrial nation with large surpluses in its trade balances with the United States and Britain. Japanese firms in western markets are successful global competitors (Hamel and Prahalad, 1989).
- iii) Britain is a member of the European Economic Community. The prospect of the large single European market in 1992 has attracted growing investment from Japanese competitors (The Electronics Industries Association of Japan, 1991).
- d) A departure from the ESRC study was the overseas research carried out to test the new hypotheses with regard to the headquarter organisations of the American and Japanese subsidiaries from the sample discussed in (b). This international element enabled

comparisons to be drawn on the support from the parent organisations for the strategies and effort of their UK subsidiaries in marketing.

4.4 THE UK METHODOLOGY

4.4.1 Selection of American companies

The two major approaches in secondary and primary research were adopted to select American owned companies operating in the United Kingdom producing audio/hifi, industrial bearings, machine tools, microwave ovens and photocopier products.

The secondary research programme included a mix of library research at higher educational institutions, the American Embassy in London and sources derived from trade journal publications. The examples of secondary research sources are listed in Appendix 1.

The primary research programme included contacting the trade associations and five of the companies in the British and Japanese samples to solicit the names and locations of relevant American competitors. By cross-checking with secondary research sources, a list of the most likely American competitors was made. The names of the directories checked for the American firms and the companies which were contacted are listed in Appendix 1.

Random sampling was not viable as the populations of companies involved were small and were spread across five separate industries. There was a need for the sample to be representative of the attitudes and practices of firms which collectively dominated their respective industries. In this respect, while the size of a company was not used as the criterion for the selection of the sample, the resulting sample had to include the large organisations such as IIT, Xerox, Toshiba and Canon ie. companies with important market shares. Table 39 lists the American companies in the last column in comparison with the British and Japanese firms.

TABLE 39
JAPANESE, BRITISH AND AMERICAN COMPANIES
PARTICIPATING IN THE UK RESEARCH

Products	Countries of Origin		
	Japanese	British	American
Consumer Electronics: Audio/Hifi	Akai Hitachi-Seiki National Panasonic Pioneer Sansui Sharp Sony	Alba Amstrad Binatone Ferguson Fidelity Radio	ITT
Household Cooking Equipment: Microwave Ovens	As above except for Akai and Sony Toshiba	TI Creda Tricity	Litton
Office Equipment: Photocopiers	As above list (for M Ovens) Cannon Ricoh	Gestetner Rank Xerox	Kodak IBM (UK) Nashua copycat
Ball and Roller Bearings	NSK Bearings	RHP Industrial Bearings	Barden corporation Torrington
Machine Tools	Nakamura Tome Niigata Takisawa Yamazaki Mazak	Beaver Colchester Lathe Kearney & Trecker Marwin TI Matrix & H Churchill Wadkin	Bridgeport Brown & Sharpe Cincinnati Milacron Geo Kingsbury Giddings & Lewis Fraser Hahn & Kolb

4.4.2 The Survey Instrument - The Semi-Structured Questionnaire

The objective in using a semi-structured questionnaire is to obtain qualitative responses and quantitative measurements with numerical ratings and rankings. Using

the same questionnaire (Appendix 5) across all the companies would enable comparability. Its semi-structured nature enabled respondents interviewed to 'respond' to planned questions and to further offer their own explanations of their company, market & organisational dynamics. It enabled the exploratory study to be focussed by enabling the attitudes and perceptions of managers within the particular industry sectors to be examined. As Dickens (1982) stated, the problems that qualitative research most frequently addressed are those of understanding as opposed to assessment.

The survey method was to interview all the fifteen companies in the American sample to obtain essential quantitative and qualitative data. To ensure that all the questions would be answered by the Sales and Marketing Directors concerned the questionnaire was used in conjunction with personal interviews. The twenty nine pages questionnaire for the research was not distributed prior to any interview in case managers became 'put-off' at the number of questions they had to answer and be unnecessarily concerned at the possible length of their interviews. In the event, each interview duration took two to three and a half hours to enable all the questions and discussion to be completed.

A summary of the topics in the semi-structured questionnaire is given as:- company background; performance over the last five years; market entry and expected future growth; strategic objectives; strategic focus; strategic advantages; market segmentation; competitor targets; competitive advantage; technology/market strategies; marketing mix; future product/market problems and opportunities; organisational structure and relationship between parent company; company policy on training and employment; distinctive skills of managerial staff, innovation, experimentation, and market contact; management styles; planning, control and information systems; super-ordinate goals and shared values.

4.4.3 Personal Interviews

This section compared the benefits of personal interviews over other methods of data collection e.g. postal/mail, telephone and action research. The practicality of researching a small sample with in-depth interviews was seen to have the following advantages over alternative approaches such as postal and telephone survey methods because of the versatility in the types of data capable of being generated. As Chernatony (1987) pointed out, postal surveys have limitations associated with low response rates.

A postal survey was not practical because there was a risk that some managers might not return their lengthy questionnaires thereby jeopardising the carefully constructed sample of firms as taken into account. Another risk was that managers might answer questions routinely rather than generously reducing the qualitative information obtained. They might suppress or find it difficult to give relevant information if they misunderstood why questions were being asked. Further there was another risk that managers might pass their questionnaires to their subordinates to answer when for comparability, all the questionnaires should be answered by senior managers.

Telephone surveys would not have enabled the depth of interview required in the twenty-nine pages of questions to be conducted. In addition, the importance of testing the research hypotheses meant that as far as possible pertinent data relating to people and situations in the real world had to be both systematically gathered and analysed. A telephone survey would have been more flexible than a postal survey to gain immediacy of answers but with only voice contact between the interviewer and the responding manager, the latter would have been reluctant to stay on the telephone for over two hours to complete the questionnaire. Cornellan (1978) stated that people should be able to "predict, measure, understand and control" the researches into and the examination of human behaviour. So the postal and telephone survey methods did not lend themselves to the practical conduct of the questionnaires in the UK and

overseas research. However their uses in making direct contact with companies to arrange the interviews were invaluable.

In a personal interview situation, hospitality and an indigenous courtesy can prevail to the benefit of the interviewer. Managers were on the whole appreciative, particularly those in the overseas headquarters, that an outsider could take the time, expense and trouble to visit and learn about their organisations. Therefore they were prepared to spend more time in the interview situation. Moreover tours of their premises including factories were undertaken by the managers themselves in order to give a 'feel' of their organisations and activities to the interviewer. This was something which postal and telephone interviews could not substitute for, over the personal interviews.

Action research would not have been a good alternative over the personal interview method either, because of the number of companies involved. There would have been the problem of accessibility to company contacts and information in all the firms if action research had been used. Action research involved the researcher working with the company's management in a problem-solving context which could take weeks or months with the researcher in a consulting role with the client company.

The research in this thesis did not lend itself to action research because all the competing firms in the sample were needed to participate. They agreed to cooperate because there were no conditions attached, promises of confidentiality and of possible publications arising from the overall research effort, were given. Action research involved the researcher as a dynamic agent in the subject of investigation. So the agent could plan, implement and monitor change or take initiatives within the organisational structure. This meant that an action researcher would become part of the situation which was being researched. However, the advantage of using the personal interview method over action research was that the researcher's role could be detached.

This was important since it minimised disturbance of the market phenomena being investigated. The terms of reference in this thesis was not concerned with serving the sample of firms as clients. They were concerned with how the individual firms in the sample through their own strategies and activities in the marketplace competed with one another. Using the personal interview method, problems of confidential access to client and competitor information with the need to cover all firms in the sample within a time frame of three years, were overcome.

TABLE 40 AMERICAN MANAGERS INTERVIEWED

Company Product	Management level	* Company name
Audio/hifi	Sales and Market Planning Manager	ITT
Microwave ovens	Divisional Director (in charge of all UK and European operations)	Litton
Photocopier	Marketing Manager Academic Systems Marketing Manager Marketing Manager	Kodak IBM Nashua copycat
Ball and Roller Bearings	Marketing Service Manager Operations Manager (overseeing the marketing function)	Barden Torrington
Machine tools	Market Director Marketing Director Commercial Manager Sales/Marketing Manager Sales and Export Manager Sales/Marketing Manager General Manager (Sales) Director (Measurement and Testing Division)	Bridgeport Brown and Sharpe Cincinnati Milacron Devlieg Ex-cell-O Geo Kingsbury Giddings and Lewis Fraser Hahn & Kolb

* Details of these 'American Companies in the UK Sample' are given in Appendix 2.

A further aspect for adopting personal interviews with a questionnaire was the issue of client confidentiality. A publication by the marketing staff at the University of Ulster on 'Student Projects and assignments Involving Market Research' stated that:

In highly competitive environments, the client may not wish it to be known that he is considering a new product or, interested in a new market or market sector...A more usual situation arises in trade where a client does not wish his name to be revealed to particular sections of the trade; for example sections of the retail or distributive trades, potential customers or suppliers of goods and services.

Client confidentiality is important where the respondent from a company may not wish his name to be revealed in case of adverse reaction from superiors within the subsidiary or parent organisation. As it turned out, all the respondents raised the question of confidentiality in the interviews and needed to be personally assured that their own names would not be revealed in any publications relating to the research except those of their organisations.

4.4.4 Application of the Chi-Square test and Cluster Analysis

The purpose in performing quantitative analyses, apart from complementing the qualitative inputs discussed in the findings, was to test the hypotheses concerning the interview responses of firms. The research material which included the numerical rating responses and the qualitative responses, provided rich insights into the complex marketing managerial processes in competing organizations. The chi-square test and cluster analysis provided suitable methods for the analyses of the data for the following reasons.

The Statistical Package for the Social Sciences (SPSS) had produced a wide range of calculations for the chi-square (value and significance), Cramers' v Kendall's tau b and c (significance and outcome) and Pearson's R, based on the inputs from the UK study. However the huge SPSS output was not adopted in this thesis because many of

the calculations were not relevant for the analyses in the thesis. For example Kendall's tau b and c assumes that the variables are ordered ie. small, medium and large, which is not true for the UK data input. (Kendall and Stuart, 1973). Pearson's R assumes the variables are numeric or at least can reasonably be assigned the numbers 1, 2, 3 (ordered, equal intervals) which is not the case for the UK , Japan and USA input (Stoodley, Lewis and Stainton, 1980).

This chi-square test was preferred because in opting for the simplest form of contingency (2 x 2) and the r x c tables, the interpretation of the chi-square test for independence can be clear (Everitt, 1977). The chi-square test is suitable where the desirability is to establish a significant difference between one distribution and another, where expected values in all cells of the contingency tables are greater than 0.5. While the chi-square tests in the thesis did produce values less than 0.5 and 'not significantly' different values, the analyses were still possible to show a 'less than significant' difference, with the aid of the 'percentage' figures.

The benefit of using the cluster analysis technique on the comparative data of American, British and Japanese firms is that the technique could help the focus in identifying groups of entities with homogenous or common characteristics. In this respect, it has helped to produce the classification of firms in the initial ESRC study, that is the 'early birds, cruises, sprinters, price fighters, lemmings and master craftsmen'. It has also helped to produce the dendrogram in which new clusters of American, British and Japanese firms were produced. These clusters are discussed in the findings on the UK research along with the links to the cluster groupings in the ESRC study.

An advantage of using cluster analysis is given by Punj and Stewart (1983),

"Cluster analysis is a statistical method for classification. Unlike other statistical methods it makes no prior assumptions about important differences within a population.

Cluster analysis is a purely empirical method of classification and as such is primarily an inductive technique"

In essence, the application of cluster analysis is therefore seen to provide an empirically based method for explicitly classifying objects and the determination of their relationships.

4.5 CONCLUSION

The study reported in the prior research provided a firm foundation for future research to be conducted and comparable methodologies to be used. With the incorporation of the American companies in the UK study, the original study was widened in terms of the number of companies which were researched and the comparison with a third country. This opened up the opportunity for an international study to be conducted at a later stage through the comparison of overseas headquarters companies in the United States and Japan.

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CHAPTER FIVE

FINDINGS IN THE UK STUDY

5.0 ABSTRACT

This chapter introduces the results of the testing of the hypotheses on the sampled forty-five companies comprising fifteen American, British and Japanese companies in each of the five product-markets in the United Kingdom. The research investigates the importance of strong marketing orientations, objectives, organisation and expertise in American and Japanese companies compared to indigenous British firms.

These findings showed that British companies had lost market share to overseas competitors, notably the Japanese in the product-markets studied. In contrast to the aggressive growth objectives of Japanese firms, British and American firms were under increasing pressure to maintain their sales in a competitive environment. American and Japanese companies considered themselves better at new product and technological innovations but the American companies seemed to lack a strong commitment to their long-term investment. Japanese firms appeared to be skilled at spotting and adapting to new environmental opportunities thereby cultivating new competitive advantages. They appeared to have transcended organisational, national and industrial barriers to compete effectively with both their American and British competitors in the UK.

5.1 INTRODUCTION

The hypotheses in the UK research aimed to test the importance of market share versus short-term profit objectives, orientation to new environmental opportunities, fast market adaptation compared to innovation, aggressive use of marketing tactics, formality of organisation, planning and control procedures, and entrepreneurship and experimentation in market focussed structures. The companies' responses to the questions in the semi-structured questionnaire are structured around the six hypotheses in the UK research in order to test the validity or support for the hypotheses. Of the six hypotheses tested hypotheses 1,2, 4 and 6 were supported.

5.2 THE TESTS OF THE HYPOTHESES 1 - 6 IN THE UK RESEARCH

5.2.1 Hypothesis 1: *Successful companies are oriented to market share rather than short-term profits.*

Market growth and profitability are seen as long-term objectives in comparison to the short-term sales and profit objectives. The sampled companies oriented towards market share creation appeared to be those prepared to invest long-term in their UK operations. Table 41 shows that of the three nationalities, British firms were the only ones amongst those trying to prevent decline (20%) or defend their market shares (20%). Just under half of the American firms (47%). Like other British firms 40% were satisfied if they could maintain their market share positions. Significantly all the superior firms were aiming for steady or aggressive growth or market domination. This was a far more confident stance compared to the Americans (53%) or the British (20%). It is interesting to note that despite the sustained poor economic performances of the UK manufacturing sector (discussed in chapter three), the Japanese companies in the sample managed to expand their operations forcing retrenchment or the defense of the status quo amongst British firms (80%) and American firms (47%).

TABLE 41

WHICH BEST DESCRIBES THE MARKET SHARE/SALES STRATEGY? ***

	Prevent Decline	Defensive	Maintain Position	Steady Growth	Aggressive Growth	Dominate Market
British %	20	20	40	0	13	7
US %	0	0	47	0	33	20
Japanese %	0	0	0	13	60	27

Statistical significance at the 5% *** level

The pursuance of the objectives of growth and domination seems to underline the aggressiveness of overseas competitors in sharp contrast to the positions of those British companies interested in survival by preventing decline. These firms were therefore highly interested in any short-term profits. Short-term profits are predominant objectives with 93% of the British and 73% of the US firms (see Table 42) but with only 40% of the Japanese firms, with a chi-square statistically significant at the 5% level. The former were geared towards costs cutting and costs saving measures with immediate importance placed on the sales orientation to maintain survival. This can leads to serious reductions in market share in the long-term. Such firms may find their positions in the future worse than those that they had stated in Table 41.

TABLE 42
HOW IMPORTANT TO THE COMPANY WAS ACHIEVING A GOOD
CURRENT PROFIT PERFORMANCE? ***

British 93%	US 73%	Japanese 40%
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Statistical significance at the 5% *** level

Such differences in strategic objectives may help towards explaining the difficulties faced by British manufacturing industry in defending its home market. Table 42 shows that an orientation to short-term sales and profits with the emphasis on cost-cutting to defend existing markets has made the British firms in the sample (93%) highly conscious of achieving current profit targets. This orientation has been shared by 73% of the American companies. Their Japanese competitors in contrast, oriented to long-term market share were more willing to look at current profits in a three year cycle. Provided that sales volume was not static, Japanese firms were prepared to

hold prices competitively in order to nurture their market share growth which had to show some obvious improvement by the third year. But not all the Japanese firms were able to keep this progress on stream. 40% of the Japanese firms were also keen to achieve profit targets set by their headquarters like the American companies in this respect.

TABLE 43
DO YOU CONSIDER YOUR COMPANY PERFORMANCE TO BE VERY
SUCCESSFUL? ***

British 33%	US 33%	Japanese 80%
Statistical significance at the 5% *** level		

Table 43 presents the responses of the companies on their then current company performance during 1985-1986. While both the British and US companies exhibited good results with 33% considering their company performances to be very successful, there were amongst the Japanese firms, a greater percentage, 80%, claiming such success. However, when it came to greater market share in the short to medium-term (see Table 44), there was a similarity in responses at 66%. This may be attributed in part to the sharpened competitive profiles engendered by having to face international competition and rationalisation by the western firms and the urge to consolidate their advances by Japanese firms. Given the reactions of successful western firms to reorganize and plan their marketing without ceding any more local advantages in pricing, distribution or production strategies, competition was expected to be fiercer in the future. Moreover, Japanese companies, as in the audio-hifi market, expected competition to be mostly amongst themselves for market share in the UK, and therefore saw competition as also being more difficult for themselves.

TABLE 44
IN THE FUTURE, DO YOU EXPECT TO SEE MARKET SHARE MUCH
GREATER?

British 66%	Japanese	66%	US	66%
No Statistical significance				

As hypothesized, successful companies build on market share and appear to invest in their marketing effort towards such a goal at the expense of engendering profits for the short-term. Short-term profit, as Table 42 had shown, had seemed twice as important for the British and the Americans as it was for the Japanese. There were more British companies (40%) which were willing to cut costs and allow their market positions to erode if necessary in order to defend or prevent further decline, to bolster short-term profitability and survival. All the companies recognised the importance of market share and hoped for better market demand in the next three to five years, with the result that the chi-square test showed a not statistically significant response.

Other reasons have been given by some respondents over the lack of investment by their parent companies in the UK. For example, one British marketing director of a US machine tool subsidiary commented that his parent company did not understand the need to be aggressive in marketing in the UK, preferring to treat it within the European context with standardised approaches. In contrast, the successful Japanese companies noted that it was 'part of a planned global expansion' and that 'the potential of the UK market' was a major attraction.

While it may appear to be a crude measure, it appears that the hypothesis that successful companies are oriented to market share rather than the emphasis on short-term profits is supported, given that the responses seemed to indicate such a focus

behind the more successful firms. As Table 44 had shown that there were equal percentages of respondents confident of attaining higher market shares in the future though these predictions were not supported by the findings in Tables 42 and 43.

5.2.2 Hypothesis 2 *Successful companies demonstrate greater orientation to new environmental opportunities*

Organizations which use effective product positioning and segmentation methods eg psychographic, and benefit segmentation to target customer groupings in national markets are seen to possess marketing strengths for industrial success. Thus the hypothesis that successful companies orientate more skilfully to their customers in a given national environment can be tested.

Table 45 indicates the type of customer segments in terms of downmarket and upmarket characteristics served by the companies. The chi-square test showed a statistical significance at the 10% level. British companies (34%) were left to the downmarket groups and American companies at the other extreme (93%) were concentrating on finding high technology or specialist niches with upmarket groups.

TABLE 45
CHARACTERISTICS OF CUSTOMER TARGETS

	Down-Market			Up-market	
	1	2	3	4	5
British %	7	27	53	13	0
US %	0	0	7	60	33
Japanese %	0	0	60	27	13

Statistical significance at the 10% ** level

The Japanese companies have been increasingly seen as a major threat by their Western counterparts. In addition there seems to be rivalry amongst Japanese companies for market share and leadership in the UK eg between Canon and Ricoh in the photocopier market. Consolidating the middle ground with customer markets, as in Table 45, Japanese companies have progressively directed their efforts at the upmarket segments and emphasised their new product achievements, reliability quality and image.

So the hypothesis that successful companies demonstrate greater orientation to new environmental opportunities can be tested by looking at areas where a company can gain a strategic advantage over competitors. Table 46 presents the responses from companies when they were asked about their abilities to 'identify key factors for success in the industry and the injection of resources to gain strategic advantages over competitors'. While most of the British and Japanese companies (80%) felt they were good at this, the American companies (87%) scored marginally higher. Perhaps this is not surprising given that the American respondents still regarded the USA as a major originator of product ideas and technological innovation.

TABLE 46
GAINING STRATEGIC ADVANTAGES OVER COMPETITORS ^{ns}

British 80%	US	87%	Japanese	80%
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No statistical significance

This appears borne out by the American responses in Table 47. When asked about their abilities to 'develop significant new product groups, there were more American companies which thought that one of their strengths lay in this. 66% of American companies compared to 13% British and 47% Japanese thought that their success partially lay in their development of new product groups.

TABLE 47
DEVELOPS SIGNIFICANT NEW PRODUCT GROUPS ***

British 13%	US	66%	Japanese	47%
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Statistical significance at the 5% *** level

The responses in Tables 45 and 47 bear out the respondents' perceptions that British companies were vulnerable and could be left to the cheaper end of the market but this in itself necessitated production to keep up profit margins. This has been increasingly difficult for British firms to do given the recession in the late 1980s. As Table 47 shows, investment and development of new products are vital in the competitive

process. New products help the image of American and Japanese firms as offering higher quality.

However, when it came to opening up new markets, (see Table 48) showed that the Japanese companies (66%) saw themselves as being more successful compared to the American (53%) and the British (27%). This seemed to indicate that successful companies of whichever nationality, may see themselves either able to develop new product groups or open new markets or both. The Japanese saw themselves as being able to take advantage of many of the same commercial or government published reports on industries and markets in the UK, as well as commissioning market studies from British market research agencies. Backed up by research and development in Japan and knowledge of the British market, the Japanese have been able to selectively target the specific upmarket sectors in the UK. The American companies on the other hand tended not to create such differentials between the UK market and other Western European countries in which they had an interest. The lack of importance or urgency placed by British and American companies on market research may be due to a long involvement in the UK market, therefore presuming understanding of customers even though the market conditions have changed and competition has intensified. Moreover market research has been a casualty of cuts by firms faced with the need to cut company costs.

TABLE 48
OPENS UP NEW MARKETS ***

British 27%	US	53%	Japanese	66%
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Statistical significance at the 5% *** level

The hypothesis that successful companies demonstrate greater orientation to new environmental opportunities seems therefore to be supported. The successful American firms saw their strengths as lying in their product development and technological abilities to take advantage of emerging and existing market

opportunities, ahead of competitors. The successful Japanese companies saw their strengths in developing new markets and providing products which customers in industrialised countries wanted. The successful British companies (though less evident as the tables showed) appear to maintain their competitive edge by being price-sensitive, innovative and consumer-oriented.

5.2.3 Hypothesis 3 *Successful companies pursue fast market adaptation rather than innovation.*

The above hypothesis that fast market adaptation rather than innovation is a feature of successful firms does not appear to be supported by the findings. In fact, the respondent companies which saw themselves as successful appeared strongly orientated to both market adaptation and innovation. The findings suggest that organizations which can combine both attributes can deploy marketing and technical capabilities in their strategic focus for competitive advantage.

For example, Table 50 shows that there were good American, British and Japanese companies which considered that strength in innovation for product differentiation, design, research, development, cost reduction and manufacturing were as important. There appeared to be more Japanese companies (at least over 53%) which considered themselves as good at possessing such differential advantages. This was followed by the American companies which saw themselves as particularly strong on product design (87%), large scale manufacturing, (80%) and process development and cost reduction capabilities (93%). There were less than 50% of British firms which considered themselves strong on such differential advantages. This was represented in the chi-square statistically significant at the 20% and 5% levels. Both the Japanese and American firms appeared conspicuously stronger in numbers than their British counterparts.

TABLE 49
HOW WELL DO THESE STATEMENTS DESCRIBE YOUR DIFFERENTIAL
ADVANTAGES?

'Good at Product Differentiation'*				
British 20%	US	40%	Japanese	53%
'Strong on Advanced Research Capabilities'***				
British 13%	US	53%	Japanese	66%
'Strong on Product Design Capabilities'*				
British 47%	US	87%	Japanese	86%
'Strong on Process Development and Cost Reduction Capabilities'***				
British 27%	US	93%	Japanese	60%
'Strong on Efficient Large Scale Manufacturing'***				
British 40%	US	80%	Japanese	93%
Statistical significance at the 20%* and 5%*** levels				

However, market success and profit performance also depend upon the ability of firms to match the needs of their customers more effectively than the competition. In this respect, the ability of the firms to expand their markets by converting non-users of the product (see Table 50) and their superior marketing mix (see Table 51) seemed also important.

As Table 49 shows, the innovativeness of firms and their strategic focusses also seen in Table 50 in their products and manufacturing capabilities seems to have also been reflected in the aptitudes of firms to show fast market adaptation.

TABLE 50
STRATEGIC FOCUS

'Expand market by converting non-users of product'				
British 47%	US	73%	Japanese	80%
'Expand market by creating new users for the product'				
British 27%	US	53%	Japanese	60%

Statistical significance at the 20%* and 5%*** levels

80% of the Japanese firms compared with just over half of the British firms at 47% saw themselves strong in converting 'non-users of product'. However, when it came to the expansion of the market by 'creating new users for the product' the Japanese and the American firms had strong responses (at over 50%) with a smaller percentage of British firms at 27% seeing themselves as successful at this.

This would seem to bear out the importance attached by successful firms to both fast market adaptation and innovation. As Table 51 indicates, one of the methods used by Japanese companies (83%) to adopt to UK market conditions was the monitoring and support of the UK dealers. As a marketing mix entry strategy, distributors can provide access to a wider customer basis and help overseas firms establish credibility with domestic customers. In their dealer support, Japanese firms gave technical, training, advertising and other promotional support to their dealers. The emphasis on dealer support was seen to be less with American firms (44%) and in sharp contrast to British firms (36%).

TABLE 51
HOW SUPERIOR IS YOUR MARKETING MIX TO COMPETITION
GENERALLY?

Product Range ***			
British 27%	US 67%	Japanese	74%
Product Quality ***			
British 34%	US 87%	Japanese	87%
Dealer Support *			
British 36%	US 44%	Japanese	83%

Statistical significance at the 20%* and 5%*** levels

In attempting to analyse the reasons for the lack of strategic thrust by the less successful companies, it seems that those who were less successful could neither innovate nor adapt to competitive market conditions. As Porter (1990) stated, it was important for the management of companies to anticipate competitors' actions and to build up their own competitive advantages such as the focus on good products or the value added higher volume market niches. To do these, commitment to the market, particularly taken in a long-term perspective was crucial. Firms which could not do this invariably ceded more profitable segments to competitors who were prepared to invest to achieve market share.

As an example of this, Textron sold off EX-Cell-O and Bridgeport as it was under significant profit pressure to scale down its investments in the UK by 1987. Likewise, one Japanese firm (Sansui) had to sell its British subsidiary in 1988, after scaling down investments in the UK. A problem faced by British companies was that having gone through the recession in the 1970s and a period of rationalisation, it was difficult to cut back even further in the 1980s, especially when they had lost

customers to new competitors and had not built up specific competitive advantages in costs, skills or resources. Moreover UK customers were prepared to buy overseas products given the greater choice so that the 'Buy British' slogan did not seem to have any significantly strong appeal. The hypothesis that successful companies pursue fast market adaptation 'rather than' innovation is not supported. because it is a combination of innovatory product and production expertise coupled with a strong orientation to consumers eg, converting non-users which seems essential to give an organization its competitive thrust.

5.2.4 Hypothesis 4: *Successful companies are more aggressive in their use of marketing tactics.*

The findings appear to suggest that the 'aggressive' use of marketing tactics is based around the ability of organizations at manipulating their marketing mix tactics. Such tactics derived from responses to the market place which had been part of the strategic focus ie, a proactive rather than a reactive strategy.

The strategic focus is directed at raising profitability both short and long-term through the various means at an organization's disposal. For instance, the planned development of the strategic focus can direct a company to invest in its production processes, its employees, and its product qualities. A defensive company seeking to prevent further decline of its market position would focus on costs reduction and low prices to bolster its immediate sales volume.

Table 52 indicates that the biggest contrast was between the British and Japanese companies. The British emphasis (86%) on 'cost reduction and improved productivity' was greater than the emphasis on 'winning share by beating competition' (53%). While the Japanese considered the former important (53%), they were more significant in the latter along with the American firms (at 87% respectively).

TABLE 52
DESCRIPTION OF THE STRATEGIC FOCUS

'Winning Share by Beating Competition'**				
British 53%	US	87%	Japanese	87%
'Focus on Cost Reduction and Improved Productivity'*				
British 86%	US	73%	Japanese	53%

Statistical significance at the 20%* and 10%** levels

In the case of the Japanese firms, there appeared to be a greater leaning towards the combination of the abilities to 'stimulate primary demand (73%) and 'entering new segments' (67%), as shown in Table 53. This meant that there were less Japanese organizations which needed to obtain sales by relying mainly on competitive cut-rate terms to enter and stay in markets. One of the suggestions made by US managers in the personal interviews with the author eg, at Cincinnati Milacron, and Barden Inc was that the Japanese competition had been 'unfair' by undercutting their prices to obtain business at their firms' expense. The Japanese claimed that it was their efficiency of operations which led to their competitive pricing policies. They felt they were more aggressive in their use of marketing to achieve a competitive advantage as indicated in Table 53 where they saw their firms as good at stimulating primary demand (73%) and at entering newly emerging segments (67%).

TABLE 53
WHICH OF THE FOLLOWING BEST DESCRIBES YOUR FOCUS?

'Good at Stimulating Primary Demand'*				
British 47%	US	40%	Japanese	73%
'Enter newly Emerging Market Segments'***				
British 27%	US	53%	Japanese	67%
Statistical significance at the 20%* and 5%*** levels				

In general, the US companies did not appear to demonstrate a greater focus towards primary demand stimulation and new market segments. Only 40% and 53% of the US companies respectively thought they were strong on such aspects. The British position appeared weak with 27% demonstrating an orientation toward 'emerging market segments'.

However, the US companies had been most self-confident about their marketing performance as shown in Table 54. 80% of the US companies claimed to be 'good at efficient sales and marketing compared to 66% of the Japanese and 34% of the British firms.

TABLE 54
HOW WELL DOES 'GOOD AT EFFICIENT SALES AND MARKETING'
DESCRIBE YOUR COMPANY? ***

British 34%	US	80%	Japanese	66%
Statistical significance at the 5% *** level				

While there may be grounds for such optimism from US companies (as in Table 52), more of the Japanese companies appeared to consider themselves better at marketing (see Table 53). The successful companies amongst the British, American and

Japanese organizations were seen to be those with strong marketing mixes directed at targeted segments with careful positioning and support of their products on the market.

The hypothesis that successful companies are more aggressive in their use of marketing tactics therefore appears to be supported.

5.2.5 Hypothesis 5 *Organization, planning and control procedures would be more informal in successful firms.*

The above hypothesis inferred that informality of organization, planning and control procedures would be likely to be informal with successful firms. Testing such a hypothesis meant that the responses of the planning and control procedures could be analysed to assess the importance of formal rigid controls with informal communications.

TABLE 55
WHICH OF THE FOLLOWING BEST DESCRIBES THE TYPE OF
PLANNING UNDERTAKEN?

'Formal long-term plans'***				
British 60%	US	66%	Japanese	40%
'Formal medium to short-term plans'***				
British 53%	US	73%	Japanese	93%

Statistical significance at the 5% *** levels

As shown in Table 55, formal planning both for the long-term and medium to short-term appeared important for at least 60% of the British and American firms. The Japanese regarded formal long term plans (40%) as important but nearly all (93%) placed reliance on formal medium to short-term plans. This may be indicative of the

importance placed by Japanese organizations on flexibility to react to changing conditions within the marketplace. The formality of planning rather than the informality of it appeared to be the norm with the British, Japanese and American firms.

In respect of the control procedures, Table 56 indicates the responses of the companies over monitoring and controlling their planning with a chi-square statistically significant at the 5% level. American firms' concentrated more emphasis on the financial aspects such as budgeted annual profits with periodic monthly and quarterly checks and return on investment targets. This put pressure on their subsidiaries to achieve short-term profit targets to the detriment of longer term marketing objectives. This left the subsidiaries vulnerable to the financial pressures of their American headquarters firms when cut-backs were instigated.

TABLE 56
WHAT CONTROL PROCEDURES DO YOU EMPLOY TO ENSURE THAT
MARKETING PLANS/OBJECTIVES ARE BEING ACHIEVED?

<hr/>				
'Periodical (monthly/Quarterly) checks' ^{ns}				
British 87%	US	93%	Japanese	80%
'Specifying many rules and variables to be measured' ***				
British 27%	US	73%	Japanese	53%
ns = No Statistical significance				
Statistical significance at the 5% *** level				
<hr/>				

As shown in Table 56 the respondents in American firms placed greatest emphasis on periodical checks (93%) and the systematic specification of rules and variables to be measured and filed, with the measurements providing a guide to action. The British respondents whilst placing reliance on periodical checks (87%), nevertheless appeared less bureaucratic in their control procedures (27%). The Japanese

respondents also placed reliance on periodical checks (80%) but fewer of them (53%) appeared to 'specify many rules and variables' compared to the Americans.

Formal control systems over planning and financial budgets went hand-in-hand with regular periodic checks and reports to international divisions or direct to headquarters firms overseas. This seemed to be the norm with all the firms in the sample.

In order to adapt to the conditions in the UK market, Japanese headquarters firms were prepared to follow the international route by giving greater independence in decision-making in management and marketing to their subsidiaries. Japanese subsidiaries employed British nationals *in their companies as did the American firms*. However the most senior management positions were given to Japanese and Americans in their respective companies. There is some thinking in the large Japanese organisations of Canon and Sony, evidenced by interviews with these companies in 1988 that they should employ more British nationals in the most senior positions in their UK subsidiaries. American companies still maintained a higher proportion of Americans in senior and line management positions eg Cincinatti-Milacron and Barden Inc.

All the Japanese and the American companies emphasised the importance of regular personal contact through annual company conferences and also meetings between senior managers of headquarters and subsidiary companies at least four times a year. Constant daily communications were via telephone, facsimile and telex which kept the overseas headquarters informed of progress or problems.

Table 57 shows that the differences in management styles between companies from the three nationalities were quite marked. While the British and American firms seem to be more hierarchical in their management structures (60% respectively), Japanese firms put far less emphasis on this and placed greater importance on committee

responsibilities, group work and fostering team spirit (64%). Because of this, job specifications were variable and ad hoc with more Japanese firms (73%) in order to allow greater flexibility, independence and the cutting down of project time in development work by groups. Project groups were encouraged to cross departmental and management lines in order to get essential information and help to complete their schedules. This is borne out by more Japanese firms (64%) encouraging top-down and bottom-up communications compared to American (27%) and British firms (7%).

TABLE 57
HOW WELL DO THESE STATEMENTS DESCRIBE YOUR COMPANY'S
MANAGEMENT STYLE?

'Group Responsibility and Teamwork' **				
British 27%	US	43%	Japanese	64%
'Strong Hierarchical Distinctions in Management' ***				
British 60%	US	60%	Japanese	18%
'Variable and ad hoc Job Specifications' ***				
British 27%	US	13%	Japanese	73%
'Both Top-Down and bottom-up Communications' ***				
British 7%	US	27%	Japanese	64%

Statistical Significance at the 10% ** and 5% *** levels

The hypothesis that organization, planning and control procedures would be more informal in successful firms is not supported. What appears to be supported is that there is a mixture of formal and informal procedures to support the planning focus and the operational day-to-day running of the businesses.

5.2.6 **Hypothesis 6** *Entrepreneurship and experimentation is stronger in market focussed rather than functionally focussed organizational structures.*

The test of hypothesis 6 included the analyses of the encouragement of entrepreneurship and experimentation with that of organizational structures to determine whether the former was stronger in market or functional structures.

The responses in Table 58 showed a consensus amongst American and Japanese firms where both 'loose supervision' and the encouragement of 'entrepreneurship' were concerned. There were fewer British companies (27%) which indicated firm support for the encouragement of entrepreneurship within the organization.

TABLE 58
AUTONOMY AND ENCOURAGEMENT OF ENTREPRENEURSHIP

'Loose supervision' **				
British 47%	US	66%	Japanese	60%
'Support and encourage entrepreneurship'***				
British 27%	US	53%	Japanese	53%

Statistical significance at the 10% ** and 5% *** levels

The responses in Table 59 this time showed a different consensus between the British and Japanese firms (at 27%) while the Americans were more willing 'to try things out' (at 53%)

TABLE 59
IN COMPARISON TO COMPETITION, DO YOU TRY THINGS OUT (EG
TESTING, EXPERIMENTATION)?***

British 27%	US 53%	Japanese 27%
-------------	--------	--------------

Statistical significant at the 5% *** level

The importance of the entrepreneurial and experimental dimensions related to the performances of organisations in the marketplace is relevant if it encourages innovativeness in company personnel. Such innovativeness may encourage organizations to lean towards the market focussed rather than functional structures.

The findings of the research indicated that there were organizational differences between the US, Japanese and British companies in addition to the managerial differences shown in Table 57. In looking at effective organisational change as the relationship between structure, strategy, systems, style, skills, staff and superordinate goals (Waterman, Peters and Phillips, 1988), Japanese organisational structure differed from the American and British firms. While Japanese firms put greater importance on skills and self development of individuals working in collective groups or committees (Table 57), promotion was based on length of service, loyalty and not merely on merit. Unlike the hiring and firing in American firms (Financial Times 1987), Japanese firms expected loyalty to their companies without pursuing the notion of life-time employment in UK companies. This meant a reluctance to treat staff as expendable but rather Japanese firms saw their employees as a resource to be trained and supported. Since training and the skills development of employees were expensive, the Japanese firms on the whole saw a need to keep their employees even during difficult financial times. Besides all the firms in the samples employed British

nationals whose background, qualifications, age and experience might be said not to be vastly different in a free western labour market.

Expertise in strategy development (Tables 52, 53 and 54) and planning and control systems (Tables 55 and 56) were important for all the firms concerned. However while the American firms did not see themselves as poor at marketing or positioned at the lower ends of their markets, their performance in these on the whole appeared better than British firms despite a similarity in the existence of hierarchical organisational structures. Therefore a hierarchical organisational structure may not impede the effectiveness of marketing. What seems relevant is that a better focus on more effective marketing organisation and customer needs appear to have served Japanese organisations well, as indicated in their responses in Table 53.

The Japanese companies all treated the UK market as important with its own specific requirements and their subsidiaries had clear responsibilities to this specific market. In contrast, American subsidiaries felt that their headquarters organisations did not adequately support the long term commitment of their strategies in the UK or gave the UK market distinctive importance from the rest of Western Europe. For example Giddings and Fraser (machine tools) and Torrington (bearings) felt that strategy constraints were imposed upon them from the United States and information in international divisions from France and Germany inadequately passed onto them. So in contrast, British organisational structures evolving from traditional functional lines were less like Japanese firms which were driven along product and geographical divisional lines and created a strong marketing organisation. This British weakness could inherently be due in part to the reliance on specialisations and external qualifications in British firms. For examples in the machine tool industry, British Sales and Marketing managers in British firms tended to be recruited from other British machine tool firms and had worked their way up in their respective departments. But Japanese managers were expected to have a much wider knowledge

of the products of their firms by having some training eg. technical training in departments other than sales and marketing in order to understand company operations as a whole. Japanese managers were expected to stay with their organisations and poaching of managers between Japanese firms was not encouraged because of the focus on self development and long term training needed to understand the company philosophy and products.

This means that while shared values in British and American firms can be based upon homogeneity in Western culture and language, the Japanese experience in shared values extended to a need for managers and lower level employees to be informed of the company's philosophy. This means that they should have some idea or belief of the superordinate goals of the Japanese firms, as in the aspirations of their most senior managers to take their firms to such stated goals as the improvement of the standard of living in worldwide communities, by enhancing the quality of products and the lives of the employees who produced them.

It therefore appears that successful companies should be market focussed rather than oriented towards functionally focussed structures. 'Experimentation' did not appear to be highly important except for the US firms. However, entrepreneurship as in Table 60 appeared important particularly for the Japanese and US firms. The hypothesis that entrepreneurship and experimentation are stronger in market focussed rather than in functionally focussed organizational structures seems to be supported.

5.3 THE CLUSTER GROUPINGS

Based on the input of the data from the UK Questionnaire used in American, British and Japanese companies, the following clusters from the dendrogram printout were formed. The companies in alphabetical order (as on the dendrogram print-out) were the Japanese (1 - 15), the British (16 - 30) and the

American firms (31 - 45). The clusters formed from the dendrogram are shown in the following table:-

Table 60 Dendrogram Clusters

Cluster 1 (group 1 - 8)	-	4 Japanese, 1 British and 3 American firms
Cluster 2 (group 9 - 22)	-	3 Japanese, 5 British and 6 American firms
Cluster 3 (group 23 - 24)	-	2 British firms
Cluster 4 (group 25 - 26)	-	2 American firms
Cluster 5 (group 27 - 36)	-	7 Japanese and 3 British firms
Cluster 6 (group 37 - 45)	-	1 Japanese, 4 British and 4 American firms

A limitation of this cluster method is that companies like Gestetner and Beaver (not seen amongst the top five market leaders in their industries) could be placed in the same cluster grouping (cluster 2) as Hitachi and Sony which are market leaders in the UK, by virtue of some statistical similarity in their 'collective' data.

However it is interesting to note that in their composition clusters 3 and 4 contained two British and two American companies respectively, with relative similarities in importance, in terms of their market sizes. The largest cluster grouping of the most successful Japanese companies was found in cluster 5 along with three important British firms in the sample, but without the

presence of any American firms. Cluster 2 represented the greatest number of British and American firms with relative similarities in market sizes. Clusters 1 and 6 consisted of American, British and Japanese firms which considered themselves strong in marketing and innovation without being the number 1 market leaders.

Using the mnemonic terms to characterise the cluster descriptions (in the ESRC study, see Appendix 3), the responses of the American firms on their marketing performances were analysed with the aid of the dendrogram groupings) and presented in the following table:

TABLE 61
CLUSTER DESCRIPTIONS

Mnemonic Descriptions		Japanese	British	American
1	Early Birds (performance: very successful)	6	1	1
2	Price fighter (very successful)	0	1	2
3	Cruisers (good)	3	2	6
4	Sprinters (moderate)	3	3	3
5	Mastercraftsmen (poor)	3	2	1
6	Lemmings (bad)	1	5	2

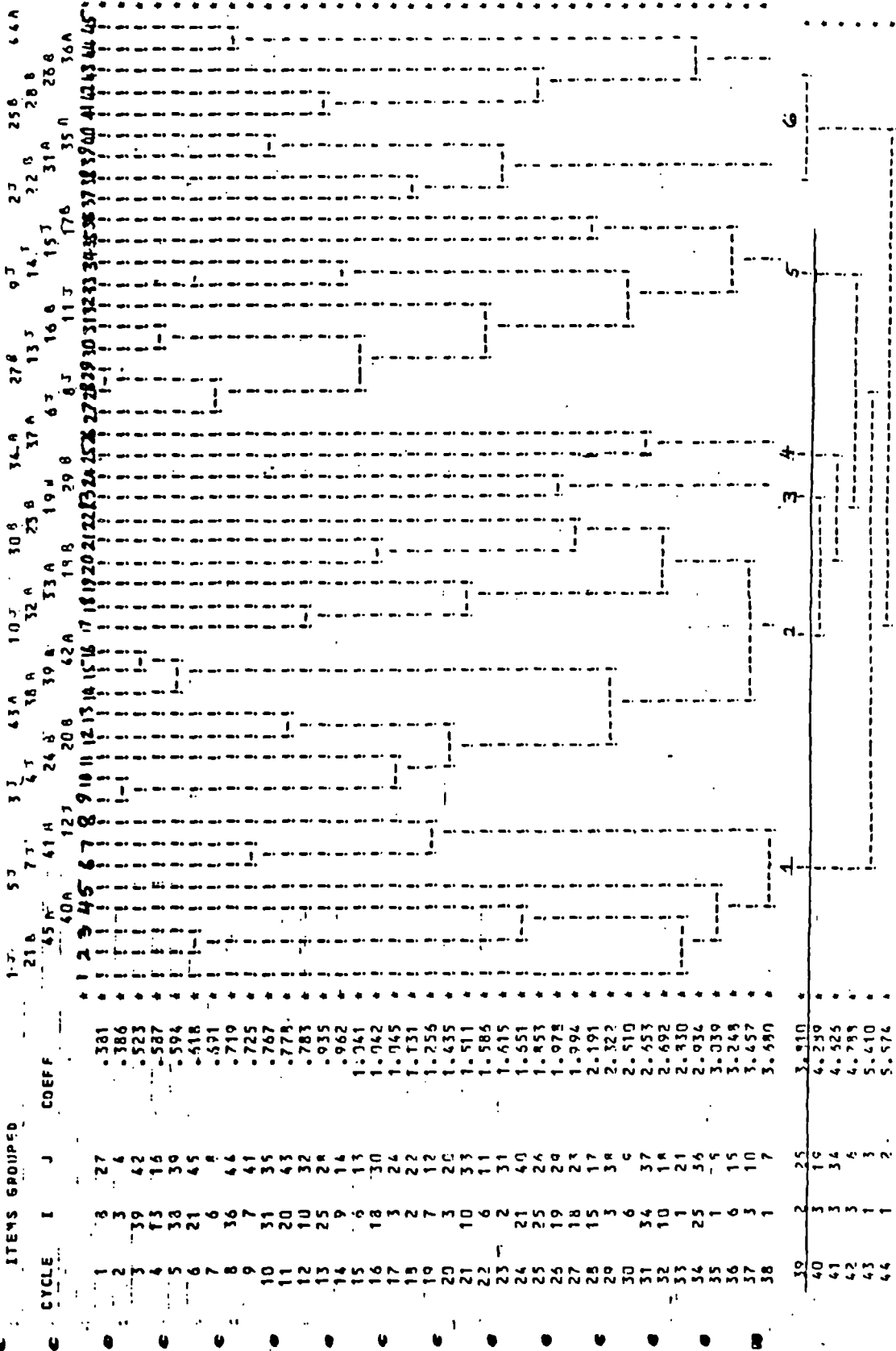
PROCEDURE TREE
=====

TREE INPUT PARAMETERS

NUMBER OF INDIVIDUALS= 45
SUBTREE PARAMETER K= 0 CLUSTERS
TRANSFORMATION SELECTED= 0
TYPE OF TREE REQUIRED = 2
DENDROGRAM

TABLE 62 DENDROGRAM

A = American
B = British
J = Japanese



CPU TIME USED BY THIS PROCEDURE WAS .06 SECONDS
PROCEDURE COMPLETE

5.4 CONCLUSIONS

It is acknowledged that the use of percentages given the small sample size of fifteen firms for each nationality may be small. However taken in total, a sample of forty-five competing companies, which include many leading names in their respective product-markets in the United Kingdom, has enabled an assessment of their attitudes to and conduct over marketing strategies to be made.

Hypotheses 1 is supported because building market share in new or higher growth markets is essentially a medium to long-term policy which seems affordable by only the more successful companies. Preventing market share erosion through an emphasis on short-term sales and profits to try to ensure survival has left little room for less successful firms to put aside any profits for investment. This had led to a lack of confidence and morale amongst such firms, particularly the British and American subsidiaries over the long-term objectives of their parent companies towards keeping them operational. Whilst all the firms in the sample had hoped to see market share much greater in the short to medium-term, the Japanese responses on their market shares strategies and company performances were much better than either the Americans or the British. The relationships between short-term profit maximisation (93%) and protection or defence of existing market shares (80%) is best demonstrated by the positions of the British firms. The findings show that market share rather than short-term profit orientations are pursued by successful companies to build up their competitive advantages.

Hypothesis 2 is supported because successful companies seem to have strengths in one or more areas such as new product development, technological innovations, expertise in developing markets, strong consumer orientations and price-sensitivity to take advantage of specific consumer needs

and wants in targeted segments in the UK markets. Entry strategies of such firms are marked by their commitment in financial and human resources to markets and technologies after the identification of specific opportunities. The British companies in the sample have seen their market shares eroded by overseas Japanese competitors. They also have had to compete with American firms for shrinking markets, as in the UK Machine Tool market. The hypothesis that companies can find success through a greater orientation to new environmental opportunities seems to be supported in many British firms which are prepared to be very price competitive and to serve the market segments in which they are most competent. As Table 48 showed, there were more Japanese companies (66%) in comparison to American companies (53%) which considered their success at opening up new markets to be better than their British competitors (27%).

Hypothesis 3 is not supported, as those firms which regarded themselves as strong on product differentiation, advanced research, product design, cost reduction and process development with efficient large scale manufacturing capabilities, saw a very strong need to innovate on production and product facilities. There was less 'adaptation' to markets as this focus on innovation was brought through to the marketplace. New development in product line extension or new techniques in servicing and selling to markets for example necessitated in their views a higher degree of innovation than adaptation. This is seen in the strategic focus of these firms where the expansion of markets by converting non-users and creating new users (Table 50) were considered very important by the more successful American British and Japanese firms. Likewise the superiority of marketing mix techniques was considered important in Table 51. The hypothesis that successful companies pursue fast market adaptation rather than innovation does not appear to hold true.

Hypothesis 4 is supported because successful companies seem more aggressive in their use of marketing tactics. The ability to produce good quality products such as those produced by many British firms in the sample did not seem enough to beat off American or Japanese competitors. The marketing skills needed to exploit growth opportunities by clear positioning and segmentation strategies with strong company and dealer support were essential to sell good products in highly competitive markets today. In looking at winning share by beating competition or being good at efficient sales and marketing, the American and Japanese companies have appeared to perform better than most British firms (Tables 52 and 53). Such British firms underperformed as they were neither able to support nor to follow up predictable trends in market segments or product developments. There were however some successful British firms which saw themselves as good at stimulating primary demand (47%) and at entering new market segments (27%) as shown in Table 53. The findings indicated support for hypothesis 4.

Hypothesis 5 is not supported because organisation, planning and control procedures are not more informal in successful firms. Informal monitoring of progress in the market via the personal contact or on telephone, faxes, telexes and mail and has followed the adherence to formal written plans. This has been the norm with all the companies. As the findings in Tables 55 and 56 show, the American (73%), British (53%) and Japanese (93%) companies all placed importance on formal short to medium planning as an important part of their strategic processes with a high incidence of periodic checks. The majority of Japanese firms (64%) favour more a system of top-down, bottom-up communications and group teamwork which combined informal and formal contact in their organisations (Table 57). Their belief in group teamwork and use of committees to arrive at joint decision-making for strategy formulation is combined with a continuous formal and informal monitoring of their firms'

progress in the marketplace, relating strategy to systems and staff. Hypothesis 5 is not supported as the informality of organisational processes has been allowed only where it has been of value as an additional source of information and necessary contact to support strategic and operational requirements.

Hypothesis 6 is supported because entrepreneurship and experimentation have been found to be stronger in companies which see themselves as market focussed rather than functionally focussed in their organisational structures. The findings indicated that experimentation and entrepreneurship were favoured by more American firms (53%) is shown in Tables 58 and 59 than by Japanese and British firms. However the Japanese firms saw loose supervision (60%) and the encouragement of entrepreneurship (53%) as more important than most British firms. The companies that saw their organisations as developed along individual product and geographic lines, rather than mainly on functional groupings or departments, were amongst those that supported greater entrepreneurship and experimentation. This was in tune with their ambitious market share objectives and product development programmes to develop broad product lines and marketing strategies to achieve such objectives in the longer term. The relationships between skills and structure to achieve strategic objectives is seen to be fostered when companies allow a greater degree of self-development by individuals and more tolerance of mistakes.

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CHAPTER SIX

METHODOLOGY IN THE OVERSEAS RESEARCH

6.0 ABSTRACT

This chapter explains the method of approach for the investigation of the marketing strategies and organisation of the participating companies in the United States in August 1987, and in Japan in May 1988. The research programmes included personal visits to the trade associations in the relevant industries. The questionnaire for this overseas research built upon the perceived advantage of using semi-structured questions gained from the experiences of the UK research.

It was found that contacting these overseas companies through their UK subsidiaries was not productive because of the wary attitudes of the UK managers over arranging research interviews with their 'bosses' in both the United States and Japan. There were the exceptions such as DeVlieg and Yamazaki-Mazak. Moreover contacting overseas companies and their trade associations directly shortened the communication process and helped to establish a personal relationship prior to the interviews. It was also found that since both the American and Japanese overseas companies were keenly interested in the affairs of their UK subsidiaries they were willing to cooperate with the research, especially if the products of the research from the of published findings could be made available to them.

6.1 INTRODUCTION

The American and Japanese studies undertaken in the United States and Japan respectively were ongoing research efforts proceeding from the analyses and conclusions of the UK research. The research efforts in both countries attempted to extend the major areas investigated in the UK by including the overseas dimensions. These included the factors in overseas parent and UK subsidiary relationship *which affected their marketing performances*.

The literature review with the formulation of the hypotheses had indicated that 'marketing' was important for the global competitiveness of firms (Abernathy, Clark and Kantrow 1981, Kotler and Fahey 1982). The overall performance of American manufacturing businesses compared to their Japanese competitors in exports had for instance reflected poorly on the former, the evidence for which was a trade deficit of \$159.2 bn compared to the Japanese surplus of £96.5 bn in 1987 (Barclays Bank 1988).

It was hoped that the overseas research could help to shed light on how established Western companies with good reputations for their products and customer support could have lost market share to Japanese competitors. For example, American companies such as Cincinnati-Milacron and Barden had established subsidiaries in the UK before Japanese competitors came on the scene and threatened their markets. Amongst the American companies in the sample were those which were the first to develop and market the precursors to the mature technologies of today (eg xerography). Whilst competition in the product areas of the research had intensified from countries such as West Germany, Italy, France, Switzerland, Taiwan and Korea, Japanese companies had appeared to have been major beneficiaries of the contraction by less successful American and British competitors. (Financial Times 1987). It was

hoped that the overseas research could demonstrate the marketing elements which helped successful Japanese and American companies increase or maintain their market shares and their reputations as technologically innovative market leaders, despite the intensification of competition. On the other hand, research could also help to indicate the reasons for the retrenchment of companies in the UK back to their home markets abroad in the face of such competitive pressures. The resulting effects on UK employment over such retrenchment have been given much publicity in the business media (eg The Economist 1986), but much less has been explained of the marketing/corporate strategies behind them.

6.2 METHOD OF APPROACH TO THE US COMPANIES

The fifteen US parent organisations of the fifteen UK subsidiaries included in the earlier study were targeted for research. The senior management in marketing and sales of the US parent companies were approached directly by letter, telexes and telephone. The interviews were not arranged through their UK subsidiaries for the following reasons:- two out of fifteen had been instructed not to encourage such research interviews due to the competitive nature of their industries; three others explained that their US managements expected their senior marketing and sales executives to leave interviews to their personnel departments because of the cost in management time, and five were apprehensive of the reactions of their US managers. It was felt that the direct approach to the US companies was less time consuming and more productive, with two UK companies volunteering the names of contacts.

The initial response to the letters explaining the research brought in offers of six interviews. Others had to be followed up by telexes which brought in the rest of their replies. The interview arrangements with the last two copier firms were fixed by telephone. In all, personal interviews were conducted with

twelve companies using a semi-structured questionnaire (see Appendix 6). The thirteenth company had to answer the questionnaire by post as its marketing executives were not in the USA at the time of the research. In total thirteen of the fifteen US companies were happy to participate in the research. Two others were not interviewed because one had disposed of its machine tool interests in the UK while the other had its UK operations controlled entirely in Europe.

The sample of companies was drawn from the machine tool, bearing, audio/hifi, household appliances and photocopier sectors. Additional and very helpful information on these sectors was provided through personal interviews with the National Machine Tool Builders' Association, the Electronic Industries Association, The Anti-Friction Bearing Manufacturers Association and by telephone and post, due to the lack of time in the USA, with the Association of Home Appliance Manufacturers.

Interest in the research outcomes was expressed by all the US managers interviewed who were surprised about the wary attitude of some UK respondents over giving help towards arranging the overseas interviews with the former. Confidentiality of responses in the US study and the offer of the published findings were made to the participating US companies.

6.3 METHOD OF APPROACH TO THE JAPANESE COMPANIES

As with the American subsidiaries in the UK, the Japanese subsidiaries were initially contacted for help in arranging interviews with their parent organisations in Japan. Letters were sent to the managing directors of the fifteen Japanese firms in the UK. Prior to this, telephone calls ascertaining correct personal names and company addresses had been made. Only one interview had been arranged successfully in this way by one company

(Yamazaki-Mazak). Four other firms responded directly with interviews from Japan.

In the meantime, the Japan External Trade Organisation (JETRO) in London had been contacted. It circulated the requests for interviews to the relevant officials in the Ministry of International Trade and Industry (MITI) and the trade associations (Japan Machine Tool Builders' Association, Electronic Industries Association of Japan, Japan Bearing Industrial Association and Japan Electrical Manufacturers' Association). Three individual managers from each of the first three trade associations were highly instrumental and tireless in their efforts to secure the rest of the interviews. Credibility for the research purpose had also been aided by an introduction from a director of the National Machine Tool Builders' Association (NMTBA), USA to the Director of the Japan Machine Tool Builders' Association.

With the one Japanese exception which had sold its UK subsidiary (Sansui) fourteen of the fifteen firms gave interviews. However, only thirteen Japanese responses were taken for comparability purposes with the American ones as thirteen US firms participated.

6.4 PARTICIPATING ORGANIZATIONS

Since thirteen firms in the USA participated in the research, thirteen responses from Japanese firms were therefore taken for comparability purposes. Table 63 lists the names of the participating organisations.

TABLE 63
COMPANIES PARTICIPATING IN THE RESEARCH

<p>JAPANESE</p> <p>Akai, Canon, Hitachi, Matsushita, Minebea, NSK Bearings, Pioneer, Ricoh, Sharp, Sony, Toshiba (copiers)*, Toshiba (microwave ovens), Yamazaki-Mazak.</p>
<p>US</p> <p>Barden, Brown and Sharpe, Bridgeport, Cincinnati-Millacron, DeVlieg, Ex-Cell O, Giddings and Lewis-Fraser, IBM, Kodak, Litton, Nashua, Torrington, Xerox.</p>

* Since Toshiba is an important large company in the sample and the interviews were conducted with two distinctly different divisions, both responses are included.

Unlike the British and US firms where interviews were usually conducted on a one to one basis there were two or more respondents at an interview in Japan, with a secretary at times to note the proceedings. Their careful approach and the interest generated in the research meant that more than one manager was usually present at the interview.

Table 64 lists the trade associations in the USA and Japan which were interviewed to gain valuable background information on industries and the business environments of the two countries.

TABLE 64
TRADE ASSOCIATIONS PARTICIPATING IN THE RESEARCH

US Electronic Industries' Association, Anti-Frictions Bearing Manufacturers' Association, National Machine Tool Builders' Association, Association of Home Appliance Manufacturers
JAPANESE Electronic Industries' Association of Japan, Japan Bearing Industrial Association, Japan Machine Tool Builders' Association, Japan Electrical Manufacturers' Association

Note: The Ministry of International Trade and Industry (MITI), Japan was also interviewed. The US Embassy (in the UK) had also helped on information on US interest in the UK markets.

Confidentiality of responses from individual participants was observed at all times. The semi-structured questionnaire required no information of a confidential nature. A summary of the research topics covered by the questionnaire is given in the following list. The semi-structured nature of the questionnaire enabled discussion over the interview topics (see Table 65) to be prompted.

TABLE 65
INTERVIEW TOPICS

Country Importance

Importance of the UK market.
Significant investment or disinvestment in the UK market.
Rationalisation and redundancies over the previous five years.
Satisfaction with UK management-worker relations.
Importance of 'ideas' contact with UK for marketing and product innovation.

Corporate Structure

Where the UK subsidiary fits into the corporate organisation.
Dissatisfaction/satisfaction with existing structure.
Likely changes to structure.

Marketing Objectives

Types of marketing objectives set.
Responsibility for setting UK marketing objectives.

Performance

Sales growth, market share gains and profitability over the previous five years.
Short to medium term expectations of market share and profitability.
Reasons for UK performance.

Competitors' Targets

Major competitors and country of origin.
Aggressiveness of competitors.
Importance of marketing mix elements for competitors.

Technology/Market Strategies

Market entry, timing and skill.
R & D capability and cost reduction process.
Marketing strengths.

Budget/Performance Scrutiny

On profitability, costs, market share and cash flow.

Financial Backing

Financial backing/investment to UK firms.

Contact Between UK Firm and Overseas Parent

Reporting functions.
Responsibilities for content and feedback.
Method/frequency of contact.

Orientations

The EPRG orientations.
Product, promotion, pricing and distribution policies.
Autonomy/dependence of subsidiary.
Retaliatory attacks on aggressive competitors.
Composition of top management.

6.5 CONCLUSIONS

The promise of confidentiality, the guarantee of a published paper on the overseas field study and the 'comparative' nature of the research with its practical fieldwork spanning three countries, were strong inducements for firms to participate. Both the Americans and the Japanese firms were favourably disposed towards an overseas researcher who had taken an interest in their organisations. The Japanese in particular appeared to want to encourage more overseas researchers from Western institutions to help foster their attempts to show a more 'open' business environment and to explain Japanese methods. Much time and effort had to be spent in arranging and conducting the interviews. The cooperation of the firms and the trade associations were forthcoming from the early stages of the research.

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CHAPTER 7

FINDINGS IN THE OVERSEAS RESEARCH

7.0 ABSTRACT

This chapter presents the results of the testing of the hypotheses 7-11 in the overseas research. The twenty-six headquarters organisations of the UK firms in the sample were personally interviewed and their responses to the questionnaire for the overseas research were analysed using the 2 x 2 contingency tables for the chi-square tests and percentages. The analysis of the overseas research is followed by a comparison of the response of headquarters firms and their UK subsidiaries where questions common to both had been asked.

The overseas findings showed that firms with planned programmes for expansion in the UK market regarded their marketing support to their UK subsidiaries as crucial with a long-term perspective to make their marketing effective for UK and European markets. Firms which were highly ethnocentric and placed more importance on defending their own national market in the United States or Japan had little support to give to their UK subsidiaries in new investment, products, services and innovations in marketing or products. Improved market segmentation and positioning tactics were considered more crucial to growth than low pricing tactics. Low pricing had possible political repercussions especially for Japanese firms where allegations by American and British companies of unfair trading practices by the Japanese still persisted. Closer relationships between headquarters and subsidiaries were seen to be enhanced by the presence of their own nationals as chief executives of UK subsidiaries. Headquarters were found to be keen to have closer relationships with their subsidiaries to oversee the achievement of their UK market positions with the greatest emphasis on costs and short-term cashflows. These findings and conclusions are presented in this chapter.

7.1 INTRODUCTION

This chapter is organised around the hypotheses for the overseas research. The hypotheses tested covered the attitudes orientations and support of the headquarters

firms in the United States and Japan to the marketing operations of their UK subsidiaries. The relationships between the headquarters firms and their UK subsidiaries are also examined.

Each section starts with a hypothesis to be tested. The results of the interviews with American and Japanese firms are compared and the findings discussed with reference to the specific hypothesis tested. A further section presents a comparison of the headquarters and subsidiary responses where questions common to both had been asked in the questionnaires. The main conclusions for all these sections are presented at the end of this chapter.

7.2 THE TESTS OF HYPOTHESES 7 - 11 IN THE OVERSEAS RESEARCH

7.2 Hypothesis 7 *Effective marketing is a factor of critical importance in asserting the successful global competition of firms*

An important influence on the success of a company in an overseas market is the investment of resources to develop and maintain such a market. The test of hypothesis 7 seeks to examine the attitudes of parent organisations towards the commitment of resources to marketing in the UK and the effect of this commitment on the effectiveness of marketing by its UK subsidiary.

Responses were invited from the American and Japanese companies concerning the importance of the UK market to their organizations and the impact this had on their commitments towards the UK subsidiaries to develop their marketing and competitive strategies. The table below presents their responses with regard to the importance of the UK market to their businesses.

Table 66A

CRUCIAL IMPORTANCE OF THE UK MARKET TO CORPORATE SUCCESS

US	Japanese
69%	69%

No statistical significance.

The identical responses (69%) with a non-significant chi-square level showed that the UK market was of considerable importance to both sides. In response to the question of which other markets were more important than the UK in Western Europe, West Germany was considered more crucial, especially for those who also had subsidiaries in West Germany as well. However the home markets of both the United States and Japan were regarded as their most important.

Given such similarities in responses from both US and Japanese firms, it seemed necessary to examine whether the higher percentage of Japanese firms compared to American ones which had increased their investment in the UK had also performed better.

Not all the Japanese and American companies had experienced sustained marketing successes in the UK. One Japanese parent firm in audio/hi-fi products had incurred heavy liabilities and financial difficulties at home, a fact corroborated by its competitors in Japan, and these led to the sale of its UK subsidiary in the earlier part of 1988. One US parent firm had divested off its UK plant for machine tools by 1987 in preference to concentrating new product development in the USA and consequently pushing its UK subsidiary towards a distributive rather than a wholly manufacturing role. Another US parent firm had sold off its two UK machine tool subsidiaries by 1987. These companies were therefore not included in the overseas research which led to thirteen and not fifteen of the American and Japanese HQ organisations being interviewed abroad.

Marketing to be effective requires the input of resources. All but one of the US companies had invested in new technologies and new product development in the UK itself alongside the rationalisation process. However no major investment or expansion plans were deemed necessary in the short to medium-term period. This may possibly be indicative of the lack of sustained effort by many US companies to follow up technological leadership in overseas markets and the emphasis placed on short term profits.

In contrast five Japanese companies stated that major investment in new plant and equipment had been made in their UK operations. The other Japanese firms indicated that investment in their subsidiaries would be maintained and acquisitions in the UK to gain new products and markets would be encouraged. One firm indicated that its new UK Worcester plant was a long term commitment to European industry and would focus on products in greatest demand and of maximum productivity benefits to its European partners.

The continual anti-dumping investigations by the American and European Commissions had made a strong impact on the Japanese respondents who felt the need to consolidate and expand their UK operations as a safety measure to overcome trade hostilities and restrictive quotas. Some of these trade investigations had been seen to be at the instigation of their US competitors even in the minority of cases where joint venture agreements in Europe and in Japan had been undertaken between Japanese and US companies. The Japanese respondents had seen these attempts as unfair political pressure to raise their costs where American marketing had been ineffective. While four American firms supported political pressure to halt Japanese economic expansion, the rest had responded with the need to match Japanese capabilities on a more aggressively competitive footing.

While the intensive knowledge technology base in Europe could arguably be seen to be more accessible to the Americans and the Japanese, given their presence, all the Japanese respondents had stressed the importance of being closer to their European customers particularly in their technological requirements in industrial markets, as was the situation with their customer relationships in Japan. They saw their competitive technologies in the product sectors of the research as superior in some areas and as good in others compared to the Americans. This was in contrast to the view of the US respondents that US technologies were more advanced and that the US home market and customer base in terms of its size was of the utmost importance.

Hypothesis 7 that effective marketing is of critical importance in asserting the global competitiveness of firms appears to be sustained. The identification of opportunities and threats and the implications for the present and future location of a company's business add to the effectiveness of the global marketing strategy. The results indicated that those companies which had maintained or increased their investment in their UK operations were more confident of continued marketing success in the UK market.

7.2.2 Hypothesis 8: *Ethnocentricity is a factor of critical importance in asserting the successful global competition of firms*

Hypothesis 8 researched the impact of ethnocentrism on the competitiveness of firms. The numerical ratings and the qualitative responses to questions 11A a,b,c and d, were taken.

Using the EPRG orientations, (ethnocentrism, polycentrism, regiocentrism and geocentrism), American and Japanese respondents were asked about their bias and aspirations regarding the flexibility and responsiveness of their organisational structures to local market needs. EPRG orientation, first identified by Perlmutter in 1969, were associated with management attitude or orientations toward successive

stages in evolving international operations. Ethnocentrism referred to a home country approach contrasting with polycentrism which had a host country orientation. Regiocentrism was associated with a regional orientation and geocentrism to a world orientation. Dahringer and Mülbacher (1991) stated their beliefs that a firm's view of its markets was essentially more important than the form of its organisation and supported the EPRG orientations to classify a firm's views.

Table 66B summarises the responses from the US and Japanese parent organizations as to their EPRG orientations.

Whilst the American companies did not consider their organisations to be primarily home country orientated to the exclusion of the importance of overseas markets, only 85% saw the US market and strategies developed for it as a prime importance.

TABLE 66B
THE PARENT COMPANY'S PHILOSOPHY ON OVERSEAS MARKETS

	US	JAP
1. Not at all home country oriented	15%	54%
2. Overseas strategies similar to home with slight modifications	62%	31%
3. Overseas strategies significantly modified for overseas opportunities	46%	23%
4. Globally oriented to world market opportunities	23%	54%

1 and 4 = Statistical significance at the 5% level

2 and 3 = no statistical significance

This contrasted with 46% of the Japanese firms showing that there was a higher percentage of Japanese firms which did not regard themselves as ethnocentric at all. However the responses show that there were in both US and Japanese responses, firms which did appear more ethnocentrically inclined with a chi-square significance at the 5% level.

The Chi-square tests showed no statistical significance for strategies developed along lines similar to those for the home market where there were 'slight' or 'significant' modifications to meet overseas opportunities. However when it came to the global orientation, 77% of the US firms had strategies with major priority to their home market. Only 23% of the US firms indicated that they were globally oriented compared to 54% of Japanese firms. Perhaps this may not be surprising given that Japanese firms to compete successfully abroad on a global basis would have to

compete in the US market too. The hypothesis that ethnocentricity may therefore be a factor limiting the abilities of US and Japanese companies to be internationally competitive appears to have been sustained.

Some of the reasons for this may be indicated in their qualitative responses. The US companies thought that they were often competing with the same major overseas competitors and their subsidiaries in both the UK and the US markets. It was significant to note that the US parent companies did not appear to fare better against their overseas competitors, notably the Japanese compared to their UK subsidiaries. In some cases the deterioration was even worse as one US marketing Director remarked,

"Our machine tool companies don't even have the capacity anymore, shrunk so much that there is no US manufacturer of general types of lathes except the specialist CNC ones. As the US has shrunk Asian producers have stepped in."

The Japanese respondents were no less protective of their domestic market. The Japanese companies appeared wary of any increase in competition at home or abroad. Trade hostilities abroad provoked by the Japanese trade surpluses had led to Japanese governments being inclined towards the opening of Japan's markets to the west. However the Japanese firms felt that they were competing with indigenous companies for market leadership in the important export markets of the UK, in products such as audio/hifi and photocopiers. Such Japanese firms attached importance towards identifying common elements in changing customer tastes and preferences and in technological requirements in their competition with other Japanese firms at home and abroad. In contrast, the American firms (77%) attached importance to development of technology, product and market strategies at home, which would form the competitive basis for overseas markets. They were however, handicapped by the fact that in the product areas of the research more globally oriented Japanese firms, as indicated in the 54%, had made significant market gains.

Moreover, the Japanese government had attempted to increase imports, particularly in manufacturing, which were at odds with the aspirations of Japanese firms. The Japanese respondents were in general agreement that their government's actions to create the appropriate balance in direct overseas investment between developed and developing nations to avoid further trade frictions were good for Japan. However, while the Japanese companies had given the additional function of 'imported' business to individual managers, all the respondents felt that it was not practical to import from their UK subsidiaries or liaise as domestic distributors for overseas companies. In terms of product and market development in the five industries studied, they saw the trend towards expansion from their production points continuing. In practice therefore, the Japanese firms did not see any major shifts in their management policies or in their competitive market stances in the UK.

As the respondents from one large audio/hifi company Matsushita pointed out:

"Western manufacturers do not realise that the Japanese had to lay the groundwork overseas for many years. Our company established its plan in Switzerland in 1963 and we had had a presence in European markets for over twenty years".

As indicated in Table 66, 23% thought that company strategies had been significantly modified to meet overseas opportunities rather than along lines similar to the home market. 54% of the respondents saw themselves strong on the global orientation and had to be to safeguard growth prospect.

With the increasing technological sophistication of Japanese products, traditional supply functions were changing. For instance, customisation on the technological front in the machine tools and bearings markets required setting up near overseas customers.

In contrast, 77% of the American firms which had set up overseas subsidiaries in post-war UK originally to dispose off surplus production to use the early stages of the Perlmutter's EPRG scheme still saw their domestic American operations as the most important. Later Japanese firms having already established demand for their products in the UK set up subsidiaries to strengthen their marketing export successes abroad and were more able to develop polycentric and geocentric rather than ethnocentric orientations.

The hypothesis that ethnocentrism presents a barrier for global competitiveness therefore appears valid.

The difficulties in the market place faced by American firms were compounded by the recessionary factors in the USA and the growth of overseas penetration in its already saturated markets.. This had made it less easy for American firms to keep ahead in the drive for technological and market supremacy compared to Japanese companies already successfully established in its overseas UK markets.

7.2.3 Hypothesis 9 Globally successful firms have clearly focussed marketing strategies targeted at opportunities in national markets leading to the development of competitive global advantages.

The focus of a competitive strategy concentrating on specific market segments by serving them more effectively than other competitors can yield better results and raise the profitability of a company. The tests for hypothesis 9 centred around the following areas of company objectives and performance (questions 3 and 4 in the questionnaire) and retaliatory actions against competitors (question 11a). Researching these areas raised the possibility of understanding how companies develop their competitive advantages.

Table 67 indicates the responses of American and Japanese companies over their strategic focus.

TABLE 67
STRATEGIC FOCUS OF AMERICAN AND JAPANESE COMPANIES

	US	JAP
Very good at:		
1. new emerging segments	8%	54%
2. stimulating primary demand	8%	31%
3. product differentiation	15%	54%
4. segmentation positioning	31%	69%

1, 3 and 4 = statistical significance at the 5% level

2 = No statistical significance

Supported by the chi-square, significant at the 0.05 levels, the American responses compared unfavourably with the Japanese competitors. Only 8% of the American firms saw themselves as very good at entering new market segments and very effective in stimulating primary demand, compared with the Japanese firms at 54% and 31% respectively. The rest of the American firms admitted to a stronger tendency towards the sales rather than the marketing orientation. The strengths in technical development and excellence were at the forefront of emphasis for all companies which wish to stay as market leaders. Only 15% of the US companies saw themselves as good at product differentiation but the smaller number of 31% said they were effective at segmentation and positioning. These compared unfavourably with the higher percentages of Japanese firms at (54% and 69% respectively)

It may be significant that both the US and Japanese respondents thought that they were better at entering new market segments with growth potential rather than segmentation to consolidate with growth market positions and customer targets. One third of the less successful American companies admitted that they did not enter markets very early on in the product life cycles, tending to enter established markets during the growth stage.

The expansion in market share gains and profitability of the successful Japanese companies had in part been attributed to their reputations for effective market segmentation. The rivalry between competitors in market segments pushes the strategic focus on to the development of competitive advantages. None of the Japanese companies thought that they were any better at market segmentation than their British or American competitors, especially when they had benefited from applying segmentation ideas learnt from the USA. However, by concentrating on product innovations and product line extensions with the committed focus towards exploiting existing and new segments, the successful Japanese firms felt that they might have created the overall impression that they were good at segmentation given their market share achievements.

Table 68 reinforced the assessments of the respondents over the performances of their UK subsidiaries taking the last five years into account in this respect.

TABLE 68
SUCCESS OF THE UK OPERATION OVER THE LAST FIVE YEARS

	US	JAP
very successful in:		
sales growth	31%	46%
profitability	38%	70%
market share gains	38%	46%
no statistical significance		

Though the chi-square tests did not indicate significance levels, what appeared interesting was that the Japanese companies (70%) placed profitability of their UK operations over the last five years as an important element in their success. This contrasted with 38% of the American firms. Where the sales growth and market share gains were concerned there were successful American companies though fewer compared to Japanese ones. The Japanese respondents all indicated that they took a long term view of profit. Even when demand fell, manning was still kept in line with medium to long term objectives because investing and training to build a skilled labour force and taking account of the expanded aspirations of customers are strategic marketing decisions.

Invariably, US companies found that despite their government's and Industrial Associations' protectionist sentiments, customers did not automatically revert back to 'buying American' or 'buying British'. US firms had to be internationally competitive. The overseas Japanese competitors became indigenous suppliers by setting up UK and US subsidiaries to overcome external trade restrictions, or focussed on easier markets elsewhere by competing with other US subsidiaries abroad. Industrial customers were not unaware of developments in and the applications from the

convergence of new technologies. US companies had to prove their quality image according to the standards of international competition.

As shown in Table 69 only 23% of the US companies compared with 92% of the Japanese companies were confident that their market shares would be much greater, supported by the chi-square test showing a significance at the 0.005 level. A similar projection was made for profitability by the respondents.

TABLE 69
MEDIUM TERM EXPECTATIONS OF UK SUBSIDIARY'S PERFORMANCE

	JAP	US
Greater market share	92%	23%
Stronger profitability	92%	23%

Significant at the 0.005 level

Both sides appeared to expect this trend to continue. This is despite the American insistence that having gone through the difficulties of adjustments with the processes of cutbacks, rationalisation and targeting investment in new plant and product technologies, the US firms were far better poised to win back market share. This might not be the complete recipe needed for success as the Americans still expected to see lower market shares and profitability in their medium term forecasts compared to their Japanese counterparts.

There were successful companies in both the US and Japanese samples although as indicated by the responses, they were comparatively fewer in the former. Successful companies tended to have reputations for aggressive marketing as they could set prevailing market prices within their industries, offer higher discounts and dealer

incentives, afford more funds for investment to maintain technological supremacy and support a greater network for sales and after-sales facilities. However retaliatory attacks on identified aggressors in their markets were not encouraged.

The responses for the establishment of retaliatory strategies and tactics, and the commitment of cash for them are shown in Table 70. None of the Japanese firms advocated financing their UK subsidiaries for such strategies whereas 54% did not lend HQ support. Sustaining the quality image of Japanese firms abroad was seen as critically important in view of their sensitivity over western allegations of Japanese 'unfair trading practices.' US firms gave little support, preferring that UK subsidiaries should organise their own competitive responses, as they themselves had to in their US market.

TABLE 70
RETALIATORY ATTACKS ON AN AGGRESSOR IN THE UK MARKET

	JAP	US	ADJ X ²
1. Little HQ involvement in establishing retaliatory strategy	54%	100%	5.34
2. No cash commitment to finance the retaliatory strategy	100%	31%	11.14 ^a

Significant at the 0.005level.

The American companies had faced the pressures exerted by the Japanese competition on their home market and were themselves looking at methods of counteracting Japanese advances. Even with the downturns in demand, as in the machine tool and bearing markets in 1987, the Japanese competitors were seen to have kept their manning levels and output consistent despite American cutbacks.

This in turn fuelled suspicion of hidden government subsidies and offloading of surplus output onto markets in developing countries, but these were rejected by the Japanese respondents.

The tests for hypothesis 9 appear to indicate that globally competitive firms had to have clearly focussed long-term marketing strategies aimed at opportunities in national markets. Sales turnover, market share gains and profitability remained very important ongoing objectives. Growth in healthy conditions included the strategic siting and aggressiveness of their overseas ventures to take advantage of favourable indigenous conditions and the enhancing productivity as crucial for long-term profitability on the medium to long-term basis. Hypothesis 9 therefore appeared valid given that to be successful in the UK market, American and Japanese firms had to be good at developing strategies in their UK market segments.

7.2.4 Hypothesis 10 Globally successful firms are strong market and technological innovators prepared to invest in international markets with less dependence upon low prices as one element of the marketing mix to gain and sustain market entry.

Hypotheses 10 took into account the responses to questions 6c, 7a, b, c, and 11b, c, d, e, to examine the competitive stances of US and Japanese firms to competitors targets, differential advantages and marketing mix variables. For example, the ability of a company to control its marketing variables, taking into consideration the international market environment, reflects its success to develop and maintain effective transactions with its overseas customer targets. Both the polycentric and geocentric orientations call for the adaption of successive mixes to the conditions within national markets where indigenous requirements can differ.

The test of hypothesis 10 included the examination of the responses to question 11b, c, d, and e to take into consideration the overseas orientations of the parent companies reflected in their polycentric adaptation to national market conditions. For instance,

the combination of the marketing mix elements has a different impact in one national market compared to another because of competitive tactics and varying indigenous requirements. The suitability of the transfer of an appropriate or complementary mix are important considerations for the international operations of a firm.

TABLE 71
NOT AT ALL DEVELOPED BY HQ FOR WORLD MARKETS

	JAP	Us
1. Product	69%	61%
2. Promotion	31%	62%
3. Place	76%	76%
4. Price	38%	85%
1 and 3 = No statistical significance		
2 = Significant at the 0.2 level		
4 = Significant at the 0.05 level		

In terms of product and place in (Table 71), the chi-square values showed no levels of significance. Where promotion and price were concerned, they were significant at the 0.2 and 0.05 levels respectively. 62% of American firms stated that their subsidiaries had greater autonomy on promotion as this was a matter left to their subsidiaries. There was greater control over price by 85% of American firms compared to 38% of Japanese firms. The degree of modification to adapt to UK market conditions is shown in Table 72.

TABLE 72
MODIFIED TO MEET SPECIFIC UK NEEDS

	JAP	US
1. Product	46%	31%
2. Promotion	67%	62%
3. Place	54%	46%
Price	46%	69%
No statistical significance		

Therefore both the American and Japanese firms saw their subsidiaries as having some autonomy in marketing mix decisions in the UK market. While no major modifications in their approaches were being considered given that promotion and channel decisions were often independently adjusted to indigenous UK requirements, there were explanations for the differences in focus on product and pricing policies between the American and Japanese firms.

The American firms tended to focus on the requirements for greater control in their priorities for research and development and the need to maintain price levels which were competitive because of the 'package' offered to customers. Price cutting was seen as counterproductive to the needs of their industries and their image creation. The Japanese firms appeared to be searching for a balanced approach towards pricing, as any suggestion of price cutting brought allegations of 'unfair trading practices' from their western competitors. At the same time they sought to maintain their image of efficiency in operation on which their claims for their price competitiveness were based. The preference to concentrate new product testing in Japan was, in their view, supported by the fact that they were competing with other Japanese firms eg, photocopiers, both in Japan and overseas.

A ranking method was used to identify the competitive emphasis of rivals because in strategy analysis, competitors are concerned with the extent of rivalry between themselves in their market segments when developing competitive advantages.

Each US and Japanese firm was asked to rank in order of importance, the strategies that its major competitor was concerned with. The initial response that they were all relatively important at various times was quickly overcome and respondents were able to give positive answers to each. Although averages can be misleading, there was a consistency in the responses in (Table 73) supported by the prevailing practices within the industries.

TABLE 73
MEAN SCORES

	JAP	US
<u>Competitors' strategy</u>		
1. Low prices	3.69	1.92
2. Product quality	2.38	2.46
3. Product innovation	3.15	2.38
4. Advertising/promotion	4.29	4.62
5. Good distribution	3.62	5.08
6. Powerful salesforce	3.78	4.54
1 and 5 = significant at the 0.05 level		
2 and 3 = no statistical significance		
4 = significant at the 0.2 level		
6 = significant at the 0.2 level		

The responses seemed to show that importance was attached by competitors to match the Japanese in being cost effective in supply provision at low cost, increased focus on product quality, and investment in the product innovation process. Though they achieved lower rankings, good distribution channels and powerful salesforces were important particularly in promoting good support and liaison with customers. Advertising and promotion by competitors appeared to be seen as having a higher emphasis compared to sales and distribution.

The findings confirm that low prices, product innovation and product quality are closely related in today's market conditions. The high costs of product innovation and the consistent maintenance of quality have to be matched to the competitive price levels prevailing within the industries. Having an effective and powerful salesforce

and good distribution channels are important. These achieved similar though lower rankings. In industrial markets advertising and promotion play a vital role in supporting the development of closer supplier to customer contacts and in building an effective corporate image.

As shown in Table 73, the mean of the rank responses was taken. American and Japanese responses were not significantly different for product quality and product innovation. However they were significant for low prices good distribution, advertising promotion and powerful sales force which were easier for companies to manipulate so as to adjust to market conditions within the short-term.

The respondents were able to assign positive rankings to the variables in terms of the prevailing practices of their competitors. There was a consistency in their responses which confirmed the need to match product quality and innovation to keen pricing with lower rankings for advertising, promotion, sales and distribution channels.

The need to understand competitive behaviour based on adequate information about changing conditions in the markets and in the industries concerned is an essential requirement of the strategy process. In order to sustain their differential advantages, firms therefore needed to match or overtake their competitors' offerings. While the Japanese firms claimed that their product 'designs were as well made and as technologically ahead as those of western products, the successful American firms insisted that their strengths in advanced research and product design capabilities over that of their competitors had been maintained. It is therefore not surprising that the chi-square tests in Table 74 showed 'not significant' levels between the Japanese and the American responses.

TABLE 74
DIFFERENTIAL ADVANTAGES

	JAP	US
<u>Very strong capabilities on:-</u>		
1. advanced research	46%	23%
2. product design	38%	31%
3. flexible & responsive R&D	38%	8%
4. process development and cost reduction	31%	31%
1, 2 and 4 = no statistical significance		
3 = Statistically significant at the 0.2 level		

US firms saw themselves as strong on advanced research and product design capabilities which were consistent with the image of technical development and product quality. However it was significant that a third of the US firms felt that they had a long way to go before the requirements to tailor their research and development programmes towards the changing needs of the marketplace were substantially met.

The Japanese respondents did not see their level of manufacturing technology to be any lower than that of their counterparts in the West. Their product designs were claimed to be well made and as technologically competitive as those abroad. One large trading company in the sample bemoaned that in contrast Western manufacturers did not pay greater need to the particular requirements of the Japanese market and too often standardised their product offerings when selling to a discerning Japanese public.

The quality of Japanese management and workers made it possible to improve productivity and to utilise equipment and technological know-how to better effect.

The company's objectives of quality design, productivity, cost reductions and general well-being were expected of all employees and inculcated in each company's philosophy. What was not guaranteed was the system of 'lifetime employment' in both parent and subsidiary organizations alike, but employees were encouraged to stay through company benefit schemes such as subsidised allowances and pensions schemes.

Japanese management provisions such as simple status roles, quality circles, employee participation and flexible working conditions have earned respect from both managers and unions in the West. However, while these are transferable practices based on good management principles, the Japanese respondents were conscious of their positions within the organisational structures. Deference, acceptance of authority, the stress on continual improvement, even reserved car parking spaces can suggest that Japanese managers are no less status conscious than in the West.

American corporate culture encouraged open competition such as the labour mobility of high calibre managers and employees between firms and the cross-fertilisation of ideas. Japanese firms tended to be self-sufficient in terms of developing human resources internally with the stress on self-development and the good of the organization inculcated in company philosophies. There seem to be observable differences in the extrogenous and endogenous contexts where American firms are more outward looking to the external environment, whereas Japanese firms exhibit a greater inward looking approach to the development of their human and technological resources. The Japanese firms regarded one element in their success as the capability to see long-term projects through by the scrupulous ploughing back of their financial resources to support development. The validity of hypothesis 10 through the testing of the marketing mix elements, the competitors targets and the differential advantages between US and Japanese firms appear to have been sustained. Globally competitive firms have less dependence on low prices as an element of the marketing mix to gain

and sustain market entry. The combination of skills in human and technological capabilities with long-term investment in international markets appear to be more important in laying the foundation for successful marketing.

7.2.5 Hypothesis 11 Globally successful firms encourage closer relationships with their subsidiaries and maintain greater scrutiny and evaluation of their subsidiaries' marketing performance.

The test for hypothesis 11 included the numerical ratings and qualitative responses to question 1e and f, and 8,9, and 10, covering UK management relations with workers, interchange of ideas between UK subsidiary and parent company, financial scrutiny and reporting functions.

While these may seem a broad remit to cover and may entail problems for depth of coverage, it appeared reasonable to consider such questions relative to the overall hypothesis that globally competitive firms built closer relationships through the monitoring of their subsidiaries' marketing activities.

For example, over the question of satisfaction with management and worker relations in the UK, the Japanese rather than the US companies all appeared to be very satisfied with the situation in the UK. This could help to indicate their stability of operations and productivity but was not in itself enough to sustain the overall hypothesis. Therefore the aspects covered in the other questions asked helped to present an overall picture of global competitiveness linked to close contact and evaluation of subsidiaries' performances.

The US respondents all indicated that 'retrenchment' in the UK market was not a deliberate policy pursued by them. What had happened was that the recessionary effects in the UK market with the consequent low demand and intensive competition not only from British, West German, Italian, French, Japanese and Korean

manufacturers, but also from other US subsidiaries, had made it necessary to rationalise and streamline their UK operations. UK subsidiaries had not been as profitable as hoped for and had lost market shares to overseas competitors. Management restructuring and redundancies had been necessary to ensure the survival and prospects of their subsidiaries.

In contrast, the Japanese parent companies interviewed felt that they did not experience the factory closures and redundancies in the UK, or the acute industrial relations problems faced by British firms in the 1970s. They had also tried to adapt to British conditions by showing a flexibility and understanding of the needs of their workforces, by appointing British managers and offering good working conditions.

TABLE 75
VERY SATISFIED WITH UK MANAGEMENT-WORKER-RELATIONS

Japanese	US
100%	46%

Significant at the 0.01 level

In terms of their satisfaction with UK management and worker relations, the chi-square test for the Japanese and US responses did show a 0.01 significance as in Table 75. While it is acknowledged that there were statistical limitations due to the small cell size, it did indicate on the whole that Japanese companies were more fortunate in their labour relations compared to the Americans. Both sought a no-union or single union agreement with their workforces, common to the practice in Japan and the USA. It could be that managerial and technological changes are easier to implement in subsidiaries where the corporate objectives for growth rather than for retrenchment and market survival are in place. It could also be argued that one factor

might have been the acceptability and adaptability of Japanese managerial practices for employee and customer care to western conditions compared with the US streamlining of operations in pursuit of short-term profit maximisation objectives. Therefore satisfaction with UK management-worker relations would help a competitive firm build a closer relationship with its subsidiary where growth prospects were evident.

The Japanese senior management did not appear to have inflicted on their western managers and staff the traditional Japanese preference for the training of their management graduates in a wide range of company functions. In Japan this has contributed to a slowness up the corporate ladder. Labour mobility is restricted as it is not expected of Japanese managers to look for changes in employment with other firms within the same industry. Learning about a company's products and its company ethos is seen to be an ongoing long term commitment for Japanese managers and their staff. In the West this lifelong association has been seen to be a strength of the Japanese because the flexibility of its management has been given as an important reason for Japan's success in trade. It may be that the longer hours put in by Japanese employees result in increased output for the time spent with possible adverse consequences in quality of life and work related stress. Therefore those with previous experience in the UK as senior managers or as managing directors found that they preferred the style of decision making in the subsidiaries, adapted on the western model of the American and the British managerial and workforce styles.

In organisational cultures the improvement of communications and the encouragement of innovation could be as important, with less secrecy and more interchange of ideas between different operating units. So the interchange of ideas can contribute to encourage multiple perspectives and creativity between people in different functions through more effective cooperation for developing and

implementing policies and operating norms, thus aiding the competitiveness of international and multinational firms.

Table 76 indicates the responses of the Japanese and US management regarding the contact between themselves and their subsidiaries on the interchange of ideas on marketing and product innovation.

TABLE 76
IMPORTANCE OF THE CONTACT IN STIMULATING THE INTERCHANGE OF
IDEAS

	JAP	US
<u>Very important for</u>		
1. Marketing	85%	38%
2. Product innovation	46%	54%
1 = Statistical significance at the 0.025 level		
2 = No statistical significance		

Whilst 85% of the Japanese companies saw the close contact on marketing issues and decisions between HQ and subsidiaries as crucial, only 46% thought that the inputs on product innovation could be strengthened by further contact. This would appear to bear out the Japanese views that it was essential and desirable to keep their knowledge and development of high technology products and applications close to home. This approach may contribute to the difficulty which the Japanese have in shaking off their 'copying' image. The tests revealed no significant difference between the Japanese and the Americans on 'product innovation' but did show significance for 'marketing'. The positions appeared reversed with the Americans putting more emphasis on the technological contact than the marketing ones.

The significance of this finding for hypothesis 11 maybe that more Japanese companies (85%) compared to the US companies (38%) found that where marketing was concerned, a greater contact in stimulating ideas had helped towards a contribution to overall competitiveness. It can perhaps be said to encourage creativity and multiple perspectives on business.

All the US companies indicated that the profitability of their subsidiaries was paramount with the analysis of the cost and efficiency of operations as critical. Market share considerations had to take account of the vagaries of national market conditions. Likewise cash flow considerations were important but the price of autonomy meant that subsidiaries had to aim for overall profitability whilst left to their own devices to ensure the continuing day-to-day operations. The more rigidly formal systems of reporting and contacts favoured between the senior levels of US and UK management in the scrutiny of such matters were followed by all the US parent organizations.

With the Japanese companies, market share and profitability had been regarded as important in their strategic focus in the medium to long-term consideration.

In Table 77 the analysis of costs as seen by 46% merited less critical scrutiny as the object for overall profitability had to be balanced against short-term financial constraints. Similarly, cash flow analysis with sales turnover measures was regarded by 38% in this light. However, formal budget and performance systems were applied as rigidly in Japanese HQ firms as with their British and US competitors.

TABLE 77
HQ SCRUTINY ON BUDGET AND PERFORMANCE CRITERIA

	JAP	US
<u>Very much scrutiny on</u>		
1. Profitability	38%	54%
2. Costs	46%	76%
3. Market share	92%	62%
4. Cash flow	38%	31%
No statistical significance		

The responses in Table 77 indicated the high importance allocated by the Japanese firms (92%) to the market share objectives on which their medium and long term profit projections had also been geared. American firms correspondingly showed quite a high response (62%) on the market share criterion though not surprisingly 76% were concerned over costs, given some of their difficulties in restructuring both their UK and US operations. This seems to indicate that the aggressive market share criterion of Japanese firms (92%) and the costs orientations of American firms (76%) might have hampered the competitiveness of the latter to the advantage of the former. The chi-square tests however did not show any statistical significance for each category scrutinised.

Costs and profitability concerns were central to the US requirements that their UK firms should demonstrate self-sufficiency and generate their own financial solutions to their problems. This was borne out in Table 78 where much financial backing and investment were considered in the larger US firms (38%). The Japanese firms had set their sights on expansion into the UK and from UK markets into European ones. Therefore a higher proportion (62%) conceded that recent investment had been made and while more investment was not deemed necessary in the short-term, the returns

were expected to be recouped with their consolidated presence in the UK and European markets.

TABLE 78
FINANCIAL BACKING/INVESTMENT FROM HQ

	JAP	US
Much financial backing	63%	38%
No statistical significance		

Like their US competitors, the Japanese companies expected their subsidiaries to display considerable self-sufficiency and autonomy in local operations as illustrated in Table 78 63% of the Japanese firms were prepared to give much financial backing to their UK subsidiaries when needed, compared to 38% American firms. The chi-square was not statistically significant. The firms advocated little financial aid in preference to their subsidiaries meeting their own financial obligations as a price of autonomy. This would also encourage such subsidiaries to be more individually responsive to national market conditions, hence contributing to the overall effectiveness in the global competitiveness of the respective organizations.

The US subsidiaries had indicated that their parent organizations did not understand the differences between the US and European markets. In comparison, the Japanese parent organizations did not appear to understand the different cultural implications of the impact on their Japanese managers of working in Western firms, preferring to concentrate on the efficiency of reports rather than the understanding of the socio-cultural norms abroad.

TABLE 79
REPORTING FUNCTIONS BETWEEN HQ AND THE UK

	JAP	US
1. Very formal	38%	38%
2. At a very senior level only	31%	46%
No statistical significance		

The comparisons between the American and Japanese firms as shown in Table 79 showed no significant differences. Reporting functions were normally on a formal basis in line with targets and planning requirements. Day-to-day contacts were maintained by telephone and facsimile. Japanese managers in the UK had to maintain close contact with their superiors in Japan, conscious that they would have to fit into the management hierarchy in Japan when they finished their spells abroad. Visits of overseas managers to conference meetings in Japan on an annual basis were normal. The Americans also had close contacts with their senior managers on a formal basis and in periodic visits three to four times a year. With the larger organizations the engineering, production, marketing and sales personnel reported an encouraging trend in greater contacts with managers whose assigned geographical responsibilities included the relevant functional or product areas.

The chi-square tests showed significant differences in respect of the reporting functions. However as in Table 79 only 31% of the Japanese companies compared to 46% of the American firms saw the reporting functions carried out 'at a very senior level only'. Both employed host country managers except at the very senior level in the UK companies where home country nationals 'oversaw' the overall direction of the business. The employment of indigenous managers helped to encourage the fostering of a common organisational ethos within the business, although the Japanese firms thought that they were good at promoting shared values. For example the Japanese

view of harmony as a company trait was aided by employees identifying with the company as an 'extended family'.

The identification with corporate objectives and shared values in the broad sense seem to lead to homogeneity in Japan. This harmonious element was seen to be breaking down with the increasing 'westernisation' of Japanese managers and company acquisitions abroad with the employment of more overseas nationals. The tests for Hypothesis 11 showed that globally competitive firms encouraged closer relationships with their subsidiaries

7.3 CONCLUSIONS

All the hypotheses 7-11 in the overseas research were found to be supported.

Hypothesis 7 examined the importance of effective marketing in the context of global competitiveness. It was found that with regard to the importance of the UK market and its membership of the European Community, there was no statistically significant difference between American and Japanese firms. Both were keen to maintain the location of their businesses in the United Kingdom partly because of the prospect of access to the larger European market.

However marketing operations require instrumental support from headquarters. None of the Japanese companies in contact with the American firms (with two exceptions) had instigated or exerted pressure on their UK subsidiaries to impose cutbacks in manpower and costs. The Japanese companies had a planned programme of expansion by investing manufacturing facilities and sales, marketing and distribution networks. In contrast, the lack of investment by the American headquarters organisations was exacerbated by the redundancy and rationalisation programmes in their UK subsidiaries. This had an adverse effect on their market shares as discussed under hypothesis 1, where there was more confidence from Japanese subsidiaries over

their goals for 'market domination' compared to American firms settling for 'maintenance' of market position. This implies that there were more Japanese firms which placed importance on effective marketing in order to compete globally.

Hypothesis 8 focussed on exploring the ethnocentricity of the sampled companies and its effect on their competitiveness overseas. All the companies had regarded their own domestic markets as of the most importance including multinational firms like IBM and Toshiba. The reasons given by American firms included America's size as the largest single industrial market in the world and its world class technologies so that any foreign firm wishing to become a truly global competitor would have to compete successfully in the United States. The reasons given by Japanese firms was the reliance placed on their research, design and development facilities, quality and reliability of supplies and that Japanese companies already provided leading consumer and industrial products for their Japanese customers. This meant that they were already competing with other Japanese companies at home as well as abroad and did not wish to see competition from foreign competitors increasing in an already intensified Japanese market. As shown in Table 66, 54% of the Japanese firms and only 23% of the American firms considered their organisations as globally oriented to world market opportunities. This position was reversed with regard to overseas strategies significantly modified for overseas opportunities where more American firms (46%) than Japanese firms (23%) saw this as important to them. The findings showed that there were more Japanese firms with geocentric ambitions than American ones. Others were restricted by their ethnocentric orientation with regard to their own domestic markets in Japan or the United States.

Hypothesis 9 looked at whether competitive firms have clearly focussed marketing strategies to spot opportunities and develop them for global advantages. As Table 67 had shown, there were more Japanese than American companies in the sample which saw themselves as very good at developing new emerging segments, stimulating

primary demand, differentiating and positioning their products for specific segments. The findings indicated that where market segmentation was concerned neither the Japanese nor the Americans thought that they were better than the other at it. The Japanese companies (69%) compared to the Americans (31%) thought that a determined strategy backed by specific commitment in investment, development and marketing, after identifying the right product lines or product innovations to pursue, helped them to exploit the right national markets or the appropriate segments within such markets. Their strategies in doing so helped them towards the achievement of their sales growth, profitability and market share gains as shown in Table 68 and greater confidence for the Japanese companies as seen in Table 69. Such strategies meant that the emphasis on the effectiveness of their marketing did not lead them to pursue retaliatory attacks on aggressors in their UK markets because of their confidence and commitment to their marketing strategies and tactics.

Hypothesis 10 examined whether competitive firms were less dependent on price to gain and sustain market entry by being strong market and technological innovators. With regard to the marketing mix elements, there were some similarities in responses with Japanese and American firms.

In their responses to the marketing mix elements, which were not developed by their headquarters for world markets, over 60% and over 70% in both samples of firms stated that this was the case with 'product' and 'place' respectively as shown in Table 71. On the modifications to suit the needs of the UK market shown in Table 72, American firms (69%) saw this as highly important because of their emphasis on cost efficiencies in operations. Like the American, Japanese firms saw promotion as a variable factor which could easily be geared to suit national market needs. However on price, Japanese reasons differed. The findings showed that Japanese firms were politically sensitive on the issue of pricing in the UK market because of fears of being accused of dumping or unfairly undercutting the prices of indigenous UK producers.

Japanese firms saw themselves as able to compete effectively on price because of their claims to be more efficient in their production and distribution systems compared to their western rivals.

As shown in Table 73, the mean responses indicated a need by American competitors to match the Japanese in good distribution and sales. Hypothesis 9 was supported because the strategies of successful Japanese and American companies were emphasising quality such as in product design and advanced research (Table 74) rather than in low prices to establish dominant market positions.

Hypothesis 11 looked at the relationships between the headquarters firms and their subsidiaries to examine if the headquarters firms pursued greater scrutiny and evaluation of their UK subsidiaries in order to encourage and assess their marketing performances. There was satisfaction with management and worker relations in the UK from all the Japanese organisations who had not experienced strikes or redundancies in their UK firms. Not surprisingly where American headquarters firms had influenced or instigated cutbacks in their UK plants, satisfaction with management and worker relations was not as high. British managers were employed in both American and Japanese firms except at the most senior positions of Managing Director, Deputy Managing Director and Chairman. This suggested a need for control at the very top as well as the need for cultural empathy from the viewpoint of the headquarters firms. The Japanese headquarters firms stated that this situation helped them in feedback and communication because the top managers of their UK subsidiaries could communicate in both Japanese and English to their headquarters and understood the chain of command and internal managerial system at headquarters. American senior managers were seen to maintain the American identity and conformity with American corporate strategy. Japanese and American responses both showed a strong level of scrutiny on the performances of their subsidiaries and their budgets. While more Japanese firms (63%) were prepared to give financial

backing to their UK subsidiaries, as shown in Table 78, there were fewer American firms (38%) able or prepared to do so. Both the Japanese and American headquarters firms were willing to encourage their subsidiaries to be self-sufficient and to have autonomy in their day-to-day operations, but the findings suggested that these were seen within the confines of the formal corporate planning objectives and targets set. This seemed to imply that the successful marketing performances of the UK subsidiaries were part of the overall global strategies of their headquarters firms, while those that were less successful were not able to obtain the financial instruments or marketing support from their headquarters organisations.

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CHAPTER EIGHT

THE RESEARCH CONCLUSION

8.0 ABSTRACT

The review of the literature and the discussion of the hypotheses established the main tenets upon which the research investigation was to proceed. The research investigation was centred around the personal interviews with senior managers in the United Kingdom, the United States and Japan using the semi-structured questionnaires. The field research was directed at generating responses so that the validation of the hypotheses could be carried out. It is the conclusions of this research which is presented in this chapter.

The conclusions from the prior research and the literature review pointed to strengths in the Japanese corporate culture and marketing strategies which seemed to have served Japanese firms well in competition with western firms. The research conclusions in this chapter supported these views about the strengths of Japanese business culture and marketing strategies. All the hypotheses except hypothesis 3 and 5 were supported.

The comparison with American and British firms highlighted the similarities and differences between companies in the sample from the three nations. The similarities were derived from the need to match and improve upon their competing products and services in the marketplace. The differences were in their commitment to market share, profitability and investment of resources, their marketing and technological skills, and the orientations of headquarters towards their subsidiaries' markets. In terms of the support from their headquarters, the Japanese subsidiaries in the UK were found to have fared significantly better than their western competitors and were able to build effectively upon their competitive advantages.

8.0 INTRODUCTION

This chapter presents the conclusions of the research structured around the similarities and differences in the marketing strategies and corporate cultures of American,

British and Japanese firms, and the recommendations to British firms seeking to improve their marketing.

Corporate culture in the context of this research is taken to mean a company's superordinate goals, systems and management style, the aspirations and skills of its organisation and staff in providing good products and services, and the willingness and ability to invest in its marketing operations to fulfil its marketing strategies. Marketing strategies take into account the setting of marketing objectives, planning, strategic focus and implementation by the use of marketing mix, segmenting and positioning techniques in targeted markets. The conclusions centre on the effectiveness of the marketing strategies of the sampled firms and the influences of their corporate cultures which differentiate their approach to strategic thinking. This is followed by recommendations to British firms seeking to emulate the successes of the market leaders.

8.2 CONCLUSIONS

The findings and summaries in chapters five and seven were supportive of the findings in the prior research in chapter four that British competitors in the five UK product-markets were losing market shares, profits and high technology market segments to their Japanese competitors. The British performance in this thesis' research when compared with those of the American subsidiaries was also poor. A revealing assessment of their own company performances made by the managers in all the responding firms showed that the majority of Japanese companies (80%) compared with the minority of British and American companies (30% respectively) considered their performances to be very successful.

In the analyses for hypothesis 1, although all the respondents similarly expected to see market share much greater in the future, there was less ground for optimism with British firms which saw their strategies for market share and sales designed towards

averting decline, defending or maintaining their positions. All the Japanese and over fifty percent of the American firms aimed for aggressive growth and market domination. There were some British firms in the sample (20%) which were highly competitive with the best of the British and American firms but they were in the minority.

The orientations of western firms towards short-term sales and profits discussed in the literature review e.g. Kotler, Fahey and Jatusripitak (1985) were supported in the analyses for hypothesis 1. The loss of market share to Japanese competitors focussed British firms on averting decline for survival purposes, which in turn led to a sales and not a marketing orientation with adverse implications for their remaining market shares.

These implications can be seen in the analyses for hypothesis 2. The majority of British firms (87%) found themselves serving the down and middle market segments. The American firms held the belief that they were still at the forefront of technology in the five product-markets e.g. ITT in its audio/hifi equipment, and could develop significant new product groups. This meant that they wanted to concentrate their strategies on serving the up-market segments despite the short-term orientations to sales and profits in order to satisfy western shareholders and creditors. Japanese firms saw their capabilities in opening up new markets (66%) and new product groups (47%) as they had done in the ball bearings market.

The analyses for hypothesis 3 showed that in advanced research, product differentiation, large-scale manufacturing and expanding markets, Japanese firms consistently scored higher than their American or British competitors. There were similarities with American firms in product design and large scale manufacturing e.g. for machine tool technologies, but the American firms were able to hold their own in product design (87%), process development and cost reduction capabilities (93%). So

while Japanese firms were shown to be more successful at opening up new markets, the competitive American firms were concentrating on the high technology market niches in the hope of expanding their markets through new product applications.

Japanese firms' abilities to implement their marketing strategies successfully are supported in the findings for hypotheses 3 and 4. The successes of the Japanese firms in the five product-markets gave credence to their claims that they were able to support their marketing strategies with investment in products and production processes and effective marketing to carry through the benefits to their customers. Examples can be seen in the photocopier and microwave oven markets where they pioneered compact designs affordable to the mass market.

Their strategic focuses were directed in at least three specific ways:- 'stimulating primary demand' with innovative products, competitive pricing and promotion; 'exploiting newly emerging market segments' by careful examination of new market opportunities and investment required; and 'enhancing corporate reputation' through high productivity, rigorous product standards such as their zero defect policy in quality control.

Faced with Japanese strengths in these areas of their strategies, a minority of British firms (34%) found themselves good at efficient sales and marketing in competition with the. American firms with their focus on cost reduction and innovation maintained that they were good at efficient sales and marketing, but fared less well on their abilities to stimulate primary demand (40%) or newly emerging market segments (53%). The findings for hypotheses 3 and 4 therefore suggested that Japanese firms in the sample possessed specific strengths in their marketing strategies which the less competitive American and British firms did not have.

Criticism of a western orientation towards long-term planning has been given by some authors in the literature e.g. Hamel and Prahalad (1989). The Japanese firms favoured short to medium-term planning to achieve flexibility in adapting to environmental changes without undue adherence to long-term plans. Formalised long-term planning were used by all the firms in the sample. The findings in hypothesis 5 indicated the importance of formal organizational and marketing planning with periodic monthly or quarterly checks backed up by formal correspondence via faxes, letters, informal use of telephone and personal contact in annual meetings with senior overseas staff.

These procedures meant that the planning and implementation of marketing strategies were subjected to formal planning checks. However in the case of the Japanese companies, the emphasis on short to medium-term planning with regard to their markets meant that management horizons were placed on the achievement of marketing targets and profitability within three years. Managers were therefore not constrained to achieve high profitability in the first two years of the plan but were expected to achieve the basis for profitability by the third year. This has been supported by Japanese headquarters' responses in the personal interviews. Monitoring and reporting processes were intensive. This provides evidence of some transfer of management styles to overseas subsidiaries in contrast to what Hamel and Prahalad (1989) saw as the 'strategic strait-jacket' effects of long-term planning on western corporate managers.

At the operations level, the Japanese subsidiaries outwardly display the indigenous ethos of the country in which they operate because British operatives are responsible to British managers who speak their own language. On the one hand, this makes Japanese ownership and control acceptable to British employees. On the other hand, the Japanese subsidiaries get the benefits of Japanese investment, quality control in marketing techniques, strategic planning and manufacturing processes. The

management style of Japanese subsidiaries is therefore heavily influenced by Japanese business culture, its aspirations and its processes where markets are concerned. Japanese managers in the UK have to return to Japan so that there is a greater tendency to conform to Japanese headquarters demands. This view of the Japanese management structure, style and systems is supported in the findings in hypothesis 6. For example, the strong hierarchical distinctions in management favoured by British and American companies (60% respectively) are less important to Japanese companies.

Top-down and bottom-up communications and acceptance of ad-hoc job specifications fitted the needs of Japanese firms because of the emphases on group responsibilities, teamwork, loose supervision and encouragement of entrepreneurship. These have encouraged cooperative attitudes and a high degree of acceptance of management skills and expertise by employees. By taking account of the views of their workforces during the development of their corporate plans, senior Japanese managers in UK subsidiaries were able to achieve acceptance of Japanese management styles and objectives.

This has created the realism of superordinate goals in their corporate mission statements, an example of which is the enhancement of the well-being of employees, customers and the world community at large through lifting the quality standards of their industries in the provision of products and services worldwide. Good management worker relations were seen as very important to such efforts. The assimilation of Japanese corporate culture has contributed to the differences between the systems and marketing strategies of Japanese firms and their American and British competitors. Satisfaction with UK management-worker relations was expressed by all the Japanese headquarters firms but this was not the case with American headquarters firms as demonstrated in hypothesis 11.

The analyses in the UK research in Chapter five had shown that there were more differences than similarities between American, British and Japanese subsidiaries in their differential advantages and market strengths. The overseas research showed that similarities existed between American and Japanese headquarters firms in large organisational size and resources, market leadership, strengths in advanced research and product innovation and global presence in world markets. These are exemplified by IBM, Xerox, Eastman Kodak, ITT, Toshiba, Canon, Matsushita and Sony. Both the American and Japanese headquarters firms sought to build upon their presence in the UK market, as supported in the findings for hypothesis 7. The UK with its political stability, developed industrial commercial and financial infrastructures and its free markets, close proximity to and membership of the European Economic Community was considered a highly important market opportunity to both the American and Japanese firms.

Protectionist sentiments were voiced in the interviews by American and Japanese respondents who did not want to see more overseas competitors in their domestic markets in the United States and Japan. With regard to their presence in overseas markets, ethnocentrism was also a relevant factor for some. In the findings in hypothesis 8, a majority of American firms (62%) regarded their overseas marketing strategies as similar to those at home. Only 46% had significantly modified them for overseas opportunities. A majority of Japanese firms (54%) compared to the American firms (23%) regarded themselves as globally oriented American firms in the sample, the findings for hypothesis 8 have shown that there were more American compared to Japanese companies which displayed ethnocentric attitudes to their overseas markets.

One explanation as to why American firms appeared more ethnocentric than their Japanese rivals was provided by the companies themselves. Respondents in the American subsidiaries did not hold to their headquarters' view of their UK markets as

part of the larger European market. For example their headquarters firms saw machine tool technologies and applications as crucial to the needs of all industrialised Western European countries, but their UK subsidiaries saw it as important that their headquarters firms should put priority on understanding the different requirements of each national market in Europe.

US ethnocentric rather than the polycentric orientations tended invariably to influence the perceptions of their subsidiaries in the British market. A stronger organisational commitment by their parent organisations was urgently needed to fight off the challenges posed by aggressive Japanese firms. These were reinforced by the ability of Japanese firms to focus and evaluate managerial responsibilities on the overall performance of their products with a mixture of continual formal and informal feedback and information as shown in the findings for hypothesis 5. American firms had placed a greater reliance on their divisional structures allocating responsibilities across European subsidiaries with formal planning, controls and personal contacts.

The findings in hypothesis 8 supported those in hypothesis 9 where globally oriented firms clearly wanted to focus their marketing strategies according to the differing requirements of national market conditions.

However those American headquarters organisations which saw the USA as the largest industrialised market in the world thought that global competition could be more effectively assessed at their own doorstep. In contrast, Japanese organisations saw the merits of assessing each European market as well as the United States as having individual importance to their operations, backed by necessary strategic investments to maintain access to markets, technologies and skills. There was a fundamental difference in outlook because US firms had a large domestic market while Japan had to look for external markets through the constraints of its geographical size and limited natural resources.

The strategic thinking in each country could be said to have started from a different base with many principles and techniques on marketing pioneered by American research and adapted in Japan and in the West. Japanese firms were able to use their limited home market more effectively as a base for global expansion (Porter, 1991) and to compete effectively with their American rivals, as demonstrated in the UK audio/hifi, ball bearings, machine tools, microwave ovens and photocopier markets. This was discussed in Chapter Three.

When asked to indicate the successes of their UK operations over the last five years and the short to medium term expectations of their subsidiaries performances, the findings for hypothesis 9 showed that American headquarters firms had far less confidence than Japanese headquarters firms on market share growth or profitability. The majority of Japanese firms saw themselves as very good in their marketing strategies, developing new emerging segments (54%), product differentiation (54%) segmentation and positioning (69%). Comparing these to the American responses, the findings gave further support to those for hypotheses 3 and 4 on perceived Japanese marketing capabilities.

The successful US firms in the sample did not accept that their Japanese competitors were better at marketing planning or segmentation techniques than they were. However Japanese firms did see effective marketing as one of their major strengths since it incorporated greater attention to details in their marketing strategies and mixes. There were no secrets or magic formulae in their prescriptions for their successes. What was significant was that in a more ordered organisational and social culture, Japanese headquarters firms could develop their individual recipes for 'long-termism'. This meant matching more effectively their products to their customers by detailed and continual observance. They placed marketing applications at the heart of their corporate functions and by building strong marketing and R & D relationships as

opposed to the production orientation they proceeded to maintain and to create new competitive advantages. American headquarters firms stated that the US corporate culture in which shareholders and financial institutions looked for short-term profit maximisation did not encourage such 'long-termism'. In this respect, American companies appear increasingly vulnerable to the market advances of Japanese firms.

Whilst the sample size was a limited one across five product sectors, the consistencies in their responses showed that to be globally competitive, marketing strategies and their implementation had to be clearly focussed and directed otherwise weaknesses would be exploited by competitors looking to establish themselves quickly in specific niches. As the findings in hypothesis 10 and 11 showed, the leaders in global markets would have to display a greater degree of expertise and mix in their marketing and technological strengths, and in their allocation of resources.

Such competitive firms sought to improve their technological capabilities in advanced research, product design, and cost reduction with efficient use of resources. There were strong American and Japanese firms, but more of the latter. American firms rejected the notion of low prices as a means of market entry, fearing that it would be counter-productive to their market image as product innovators. Japanese firms rejected their Western competitors' claim about their aggressive pricing policies, pointing to the incremental gains from their global network of activities in which they moved production to low labour cost countries such as Thailand while keeping to their assembly plants in Europe. Japanese firms were sensitive to competitors' charges about their 'alleged' low pricing or dumping tactics as discussed in the findings relevant to hypothesis 10.

While the American firms were not prepared to finance the retaliatory strategies of their subsidiaries, they were prepared to discuss tactics with them. All the Japanese firms in contrast did not wish to be seen to be involved in such subsidiary retaliatory

strategies, although only 31% reportedly did not have cash commitments to finance such retaliation against competitors. These findings are supported for hypothesis 11 where 63% of the Japanese firms stated that they gave much financial backing and investment to their UK subsidiaries. The scrutiny by Japanese headquarters firms of market share was high (92%) compared to the American (62%). Japanese firms were prepared to forgo short-term profitability (38%) and costs (46%) to support their market shares. American firms (76%) rated costs as very important in their scrutiny of their subsidiaries' activities.

The findings for hypothesis 11 showed that the contact between headquarters and subsidiary levels for stimulating the interchange of ideas was high in marketing for Japanese firms (85%) and lower on product innovation (46%). This contrasted with the American firms at 38% and 54% respectively because the majority of Japanese firms adhered to the marketing concept on cultivating customers' needs and being close to the marketplace. Product design and advanced research however were still kept in Japan as prerogatives of Japanese headquarters firms. One reason given by the Japanese respondents was that they were increasingly competing with other Japanese firms in world markets so that research and development could be just as applicable at home. This resolved the requirements of secrecy and control over new product innovations, thus ensuring that these functions were held tightly within the Japanese headquarters firms.

The UK remains an attractive market to American and Japanese companies. In the March budget (1990), the Chancellor of the Exchequer when forecasting a current account deficit of £15bn made the point about high domestic demand and imports. Indigenous British companies may therefore find it increasingly difficult to emulate the market successes of their overseas competitors which are themselves seeking to tighten and consolidate their market and technological leads in the United Kingdom.

8.3 RECOMMENDATIONS

Indigenous British firms need to employ professional marketing skills to retain and expand customer loyalties. This is because in highly competitive markets, resources must be applied to the whole of the marketing mix however good the quality of their products may be. British firms wishing to improve their marketing performances in competition with American and Japanese competitors in the five product-markets seemed weak in the application of marketing strategies and therefore there is a need to develop their expertise and techniques. Both abroad and in the United Kingdom the headquarters organisations and their subsidiary companies had access to bought-in market research services from well known consultancy groups operating in diverse national markets. So a method of obtaining expertise in marketing strategies by British firms finding it expensive to develop it in-house, would be to buy in external consultancy services.

The American companies did not accept that the Japanese were more skilled at marketing than they were, as many of the marketing concepts and techniques were pioneered in the United States and developed in business schools there and in the United Kingdom. However the Japanese firms saw themselves as competent at marketing. It is significant that firms which consider themselves successful, attribute their success in their strategies and market shares to a consolidated mix of management and labour expertise in production and marketing with unremitting attention to quality, innovation, cost effectiveness and investment. These are key areas in which British firms can seek to make improvements.

Successful firms place importance on well conceived and effective marketing strategies. Their market entry strategies are developed early on in the planning process so that the required skills, foresight teamwork and implementation systems can be developed for identified market opportunities. Thus British firms seeking to improve their marketing need to develop their marketing planning and organisational

functions so as to be capable of placing their desired products into effectively planned and controlled marketing mixes.

This means that it is important for British firms to examine their marketing and technical capabilities to assess the gaps between themselves and their major competitors. The willingness and ability of senior management to develop marketing expertise and to put resources into strategy formulation and implementation are necessary in order to achieve corporate business goals. The research findings showed that companies with perceived marketing strengths demonstrated strong customer orientations with market share and profitability as important long-term objectives. Those British firms which pursued short-term profit objectives oriented to the selling concept therefore need to re-assess their strategic priorities.

To do this, British firms seeking to improve their marketing performances need also to examine their hierarchical organisational structures with their commitment to managerial status and privilege. This follows from the need to achieve corporate consensus, synergy and entrepreneurial corporate culture. Less reliance on formal hierarchical structures centred around functionally focussed specialisms may be desirable as improved internal communications and multi-level contacts can foster the interchange and stimulation of ideas in marketing and product innovation.

Membership of the corporate organisation should be seen to be important to employees at all levels. British firms need to promote good management and labour relations both at home and abroad. The satisfaction of Japanese headquarters with their UK management and labour relations was high in contrast to the American and British firms. For example, in the machine tool industry, the American headquarters approach towards redundancies and rationalisation affected morale and the entrepreneurial spirit of their UK subsidiaries. In contrast good employees were kept and self development encouraged in Japanese machine tool firms. These are

important considerations. If British firms lay off their managers and operatives in times of recession, they may find it difficult to recruit those with the right qualifications, experience and skills when they need to expand. This interrupts the commitment to long-term objectives with adverse effects on marketing strategies. So key employees should be kept and self-development encouraged to foster creativity.

The study of marketing strategies has included a broad perspective because the research sample consists of medium sized firms and multinational corporations. The latter have the capacities to develop higher levels of technological innovations for world markets. Their geocentric orientations and their dispersal of production, marketing and distribution activities to off-shore or foreign locations also facilitate greater proximity to important markets, technologies and skills. In addition, technological innovation is expensive and international alliances between firms of different nationalities, as between British and Japanese companies, may therefore increase. Opportunities therefore exist for British firms to supply large corporations by targeting the latter's needs either in the revitalisation of established mature industries or in the creation of new markets. At the same time, British firms need to improve their reliability and product qualities to the standards required by customers who have seen what the competition can provide. Therefore there is a need to devise and implement effective marketing strategies to take account of the dynamic conditions and sensitivities of the marketplace.

APPENDIX 1

EXAMPLES OF SECONDARY RESEARCH SOURCES

Directories checked for American Companies operating in the five UK product sectors.

American International Traders Register, March 1974, (US Dept of Commerce)

Anglo-American Trade Directory, 1985.

C.S.O. Indexes to the standard Industrial Classification (UK), revised 1980

Directory of British Associations (for the names and addresses of trade associations), 1984.

Directory of Importers & Directory of Exporters, 1985.

Electronic Buyers' Guide, 1985/1986.

Extel, UK, 1984.

Extel, USA, 1984.

Key Business Enterprises, 1985.

Kompass, 1985.

Standard and Poor, 1984.

Thomas Register of American Manufacturers, and

Thomas Register Catalogue File (for names under product listing), 1984.

Who Owns Whom (N. American), 1981.

American SIC Index Used From the Anglo-American Trade Directory 1985.

3541 Machine Tools

3562 Ball & Roller Bearings

3579 Office Machines

3631 Household Cooking equipment

3651 Radio and TV receiving sets

Since the British and the American standard Industrial Classifications differ, the above American SIC product codes were used to locate company names in the American directories. The American directories proved invaluable in obtaining the final list of names of companies.

APPENDIX 2

EXAMPLES OF PRIMARY RESEARCH SOURCES

Field research sources contacted to check names of American Companies operating in the five UK product sectors.

The British Association of Print and copyshops (BAPC) London.

The Ball and Roller Bearing Manufacturers' Association (BRBMA), Birmingham Branch.

The Microwave Association, London.

The Association of Manufacturers of Domestic Electrical Appliances (AMDEA), London. (This Association claimed most membership of microwave oven manufacturers and were more helpful than the Microwave Association).

The Radio, Electrical and Television Retailers' Association (RETRA), London

The British Radio, Electronic and Equipment Manufacturers' Association (BREEMA) London.

The Machine Tool Trades Association (MTTA), London (This Association was very helpful with information, advice and publications).

The Trade Officer, US Embassy, London.

Further cross-checking of company names were carried out on the telephone with:

Rank Xerox

Toshiba

Canon

Yamazaki-Mazak

ITT

APPENDIX THREE

CLUSTERING BY STRATEGY AND ORGANIZATION

CLUSTERING BY STRATEGY AND ORGANIZATION

Significant differences in strategies and structures did exist between the Japanese and British samples. But since there were many more Japanese successes, it is worth examining further whether these differences were due to national origin or simply between successful and failing companies. Were those British companies that succeeded in the market, more like Japanese subsidiaries or similar to the rest of the British sample? The problem is complex because there is no one type of successful strategy in an industry. Typically companies can enjoy success through strong differentiation, low costs or focussed segmentation and positioning strategies (Porter 1980, Hall 1980). In this section we identify six types of strategic groupings - four of which produced reasonably successful marketing performance (in terms of market share and profitability) and two which resulted in poor performance.

METHODOLOGY

The interviews produced measures on over 200 items for each company. To reduce redundancy the data were first factor analysed using the varimax procedure. The factor scores were then used as an input to Ward's (1963) hierarchical clustering scheme. Ward's method has proved an efficient technique for similar tasks elsewhere (Doyle and Saunders 1985). The technique proceeds by linking together companies with similar characteristics, using an error sum of squares criteria. Figure 3 shows how the six clusters were built up, the nationality of the companies in each

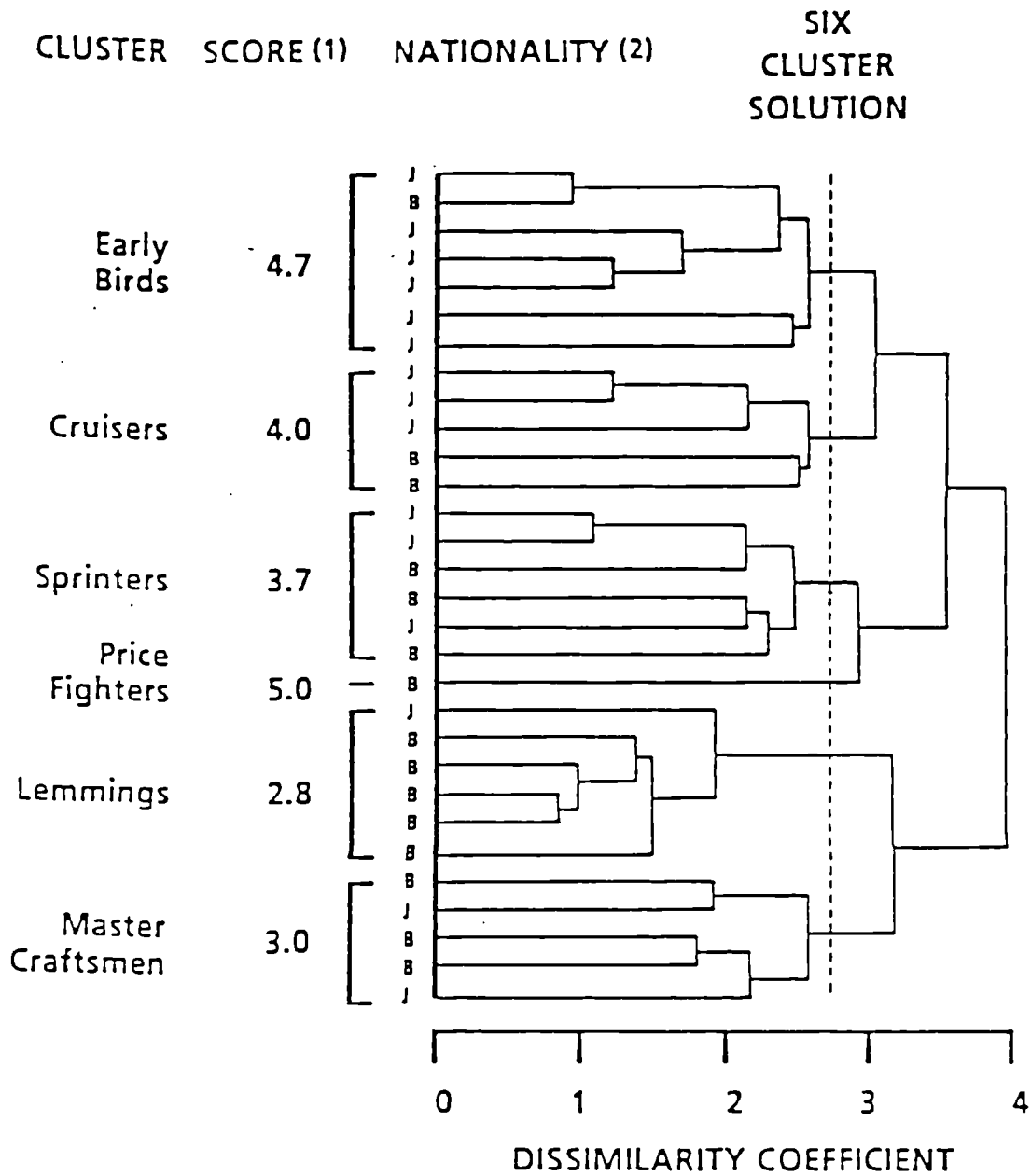
cluster, and, the average success rating. Inspection showed that each cluster described a set of companies which were relatively homogeneous in strategic and organizational characteristics. They were also fairly homogeneous in market performance. On the other hand, they were relatively heterogeneous in terms of industry and nationality.

CLUSTER DESCRIPTIONS

The groups are ordered in terms of market performance. A mnemonic is used to characterize each.

- 1 Early Birds (Performance: very successful. Companies: 6 Japanese and 1 British. Products: hi-fi, copiers, machine tools). These are among the first companies to adopt new technologies and the earliest to enter markets. They enter very aggressively focussing on expanding primary demand and opening new market segments. They are strong on marketing and seek a clearly differentiated quality positioning in the market. Prices are at competitive levels or higher, and they spend more on promotion and customer support. Organized by product divisions, they have highly committed managements with clear marketing strategies.
- 2 Price Fighter (Very successful; 1 British company; hi-fi). A unique British company dominated by a charismatic leader. The most aggressive market share company in the sample with strong marketing skills and a clear strategy of being price leader with a modern range of products. Products designed for low cost manufacture. Quality and product range are only average. Paradoxically, the closest to the Japanese stereotype in shared values and personal commitment.
- 3 Cruisers (Good; 3 Japanese and 2 British; machine tools, microwaves and copiers). Consisting of some of the larger, established companies. They are mid-positioned between the top-end Early Birds and the Price Fighter with a strategy based upon a broad range of quality products at competitive prices. They are slower to change direction than the previous two but once in a market they aggressively build share. Their competitive thrust is built upon high levels of efficiency in manufacturing and marketing.
- 4 Sprinters (Moderate; 3 Japanese and 3 British; hi-fi, machine tools, microwaves and bearings). Less innovative than the Early Birds, they tend to be fast followers. Once a market is proved, they rely upon very aggressive marketing and flexible manufacturing skills to quickly catch-up. In marketing strategy they are positioned below the Cruisers but above the Price Fighter in quality and price. They tend to be more risk averse and profit conscious.
- 5 Mastercraftsmen (Poor; 3 British and 2 Japanese; machine tools and hi-fi.) A group of traditional production-oriented companies. Product quality is high but professional marketing is non-existent. They lack knowledge of customers, competitive positioning and designing for the market. They are the least aggressive of all the groups. Bolstering weak profits is the primary focus, and product range, features and promotional spending are all below competitive levels. Organizationally, they are characterized by top heavy 'staff' structures, tightly defined jobs and low personal commitment.

Figure 3. DENDOGRAM SHOWING SIX CLUSTER SOLUTION



- (1) SCALE: 5 = very successful, 1 = very unsuccessful
 (2) B = British, J = Japanese

6 Lemmings (Bad; 5 British and 1 Japanese; hi-fi, microwaves and copiers.) Mostly older, declining British companies. Like the Mastercraftsmen, they lack any marketing skills, but unlike them they have no advantages in product quality. Sometimes pulled into new markets, but without marketing, technological or innovative capabilities they make little progress. Their products invariably become positioned at the lower-price, commodity end of the market.

In contrasting the successful and unsuccessful groups four central differences emerge:

- 1 Professional Marketing. Good quality products are insufficient for success in today's highly competitive markets. The Mastercraftsmen had these, but lacked the professional marketing skills to exploit them via forceful segmentation and positioning strategies. Both failing clusters were alike in an apparent complete absence of professional marketing capabilities.
- 2 Decisive entry strategies. Successful companies enter markets or technologies earlier because they identify clear opportunities. The unsuccessful ones tend to be sucked in reluctantly in a vain attempt to defend their businesses.
- 3 Commitment to market share. All the successes had ambitious share objectives and developed broad product ranges and marketing policies to achieve these goals over the longer run. An over-focus on short-term profits, especially in the growth markets, invariably meant losing market position to more aggressive competitors.
- 4 Organizational commitment. Successful managements exhibited greater professionalism and commitment. This appeared to be the result of organizations structured around product/markets, a belief in group involvement in strategy formulation and continuous, informal monitoring of progress in the market.

Finally, the clusters show that strategies are not industry or nationality specific. Successful professional, committed British companies are more likely to use the strategies and structures of the better Japanese than their British compatriots. Similarly, the weaker Japanese competitors have more in common with the weak British ones than with the other Japanese subsidiaries.

APPENDIX 4

DETAILS OF THE AMERICAN COMPANIES IN THE SAMPLE

The UK Research: American Companies

<u>Company Name:</u>	Barden Corporation (UK) Ltd
<u>Company Address</u>	Western Road Bracknell RG12 1LX
<u>Date of Interview</u>	21.10.86
<u>Product Focus for the Study</u>	Precision Ball Bearings

COMPANY BACKGROUND

A) History

The subsidiary was tentatively rooted in the UK in 1942 to help with the USA's military effort, and firmly expanded in 1948 with the Ministry of Defence (MOD) orders. Barden Corporation (UK) prides itself on its 'precision' ball bearings because of its need to nurture its defence and aerospace contracts

B) Current Size

Employee (numbers):	300+
Turnover (£):	10m
UK market share:	70% for precision ball bearings only

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Bridgeport Machines Division of
Textron Ltd

Company Address

PO Box 22
Forest Road
Leicester
LE5 0FJ

Date of Interview

10.10.86

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

Bridgeport was founded in the UK in 1914 and was taken over in 1972. Textron provided investment and built a new factory in Bridlington for expansion purposes. Bridgeport licensed US products because of product compatibility with US parent. There was a management buy-out in 1987 from Textron Inc.

B) Current Size

Employee (numbers): 950

Turnover (£): 50m+

UK market share: For its medium size machines for a small specialised market niche, the market share was estimated to be 80%, and small in others.

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Brown and Sharpe Ltd

Company Address

Chapel Street
Melbourne
Derby

Date of Interview

1.12.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

The company was set up by the US firm in the early 1960s to sell machine tools in the UK and European markets. It underwent substantial restructuring by the loss of its factory site at Plymouth, with redundancies. The present company has been trimmed to a sales and service operation based at Melbourne in Derby, to carry the US parent's products. It is also a distributor for two Japanese machine tool companies

B) Current Size

Employee (numbers): 189 (from 400)

Turnover (£): 5% (falling)

UK market share:

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent
(up to 1985) (from 1986)

Company Name:

Cincinnati Milacron

Company Address

PO Box 505
Kingsbury Road
Birmingham
B24 0QU

Date of Interview

27.3.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

The only manufacturing plant apart from the USA is the UK subsidiary. Cincinnati Milacron withdrew its manufacturing operations in West Germany in the early 1980s to consolidate its manufacturing in the UK for its European markets as well.

B) Current Size

Employee (numbers):	500
Turnover (£):	40m +
UK market share:	12%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

DeVlieg Machine Company Ltd

Company Address

Leicester Road
Lutterworth
LE17 4HE

Date of Interview

22.10.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

The company was established in the early 1950s when DeVlieg (USA) products in the 1950s. DeVlieg (UK) was originally owned by the Alfred Herbert Company, Coventry and was taken over by DeVlieg (USA) in 1980. DeVlieg (UK) is also a distributor for a Japanese Company for its Okumo line of machine tools.

B) Current Size

Employee (numbers): 220

Turnover (£): 9m

UK market share: About 10% on its main product lines

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Ex-Cell-O Corporation (England) Ltd

Company Address

PO Box 133
Hastings Road
Leicester
LE5 0HT

Date of Interview

10.11.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

Ex-Cell-O was established in the UK in 1952. It manufactures a wide range of high technology machine tools for the automotive and aerospace industries. Its parent company, Textron eventually sold Ex-Cell-O in 1987 (there was a management buy-out).

A) History

B) Current Size

Employee (numbers):

350 +

Turnover (£):

18m

UK market share:

30% in special machine tools - borers
and transfers

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

George Kingsbury & Co (Machine
Tools) Ltd

Company Address

The Causeway
Staines
Middlesex
TW18 3AQ

Date of Interview

4.11.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

The George Kingsbury Company was set up in 1967. It had two machine tool plants in the UK. The Staines plant assembled and carried out special purpose manufacture. The Gosport plant manufactured cnc lathes and grinding machines. Although it was not a US subsidiary and was still owned by the Kingsbury family, it had a strong US connection. It manufactured under licence, drilling heads and bought technology from the US firm.

B) Current Size

Employee (numbers):

40 in Staines
60 in Gosport

Turnover (£):

3m +

UK market share:

The company would not give this
information but did say the market share
was small

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent
Gosport branch Staines branch

Company Name:

Giddings and Lewis-Fraser Ltd

Company Address

PO Box 6
Arbroath
Angus DD11 3AU
Scotland

Date of Interview

12.9.1986

Product Focus for the Study

cnc Machine Tools

COMPANY BACKGROUND

A) History

The company was established by Douglas Fraser in 1832 for the textile machinery market. The first Fraser designed machine tool was produced in 1954. From an association with Gidding and Lewis (USA) in August 1989, Fraser produced machine tools. Both organizations were acquired by AMCA International in late 1982 and known as Giddings and Lewis Fraser.

B) Current Size

Employee (numbers): 370

Turnover (£): 12m

UK market share: 50% in main product lines in the UK for a specialised sector. Exports 60% of its machine tools

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

IBM

Company Address

The Science Park
Cambridge

Date of Interview

21.8.1986

Product Focus for the Study

Plain paper photocopiers

COMPANY BACKGROUND

A) History

The UK photocopier division was very small in comparison to other IBM main product divisions. IBM had not expanded the photocopier division since it was set up in the 1970s. Its computer business was considered far more important. Consequently from mid 1986 onwards, IBM appointed Nashua Copycat as its original equipment manufacturer (OEM) and distributor, branding the IBM name.

B) Current Size

Employee (numbers):	15
Turnover (£):	3m
UK market share:	5%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK	/	Distributor	/	Agent
up to 1986				from 1986

Company Name:

ITT Consumer Products (UK)

Company Address

Paycocke Road
Basildon
Essex
SS14 3DR

Date of Interview

11.11.1986

Product Focus for the Study

Audio/hifi

COMPANY BACKGROUND

The US parent company set up this UK subsidiary for the UK/Europe potential. In the consumer market it is the only US subsidiary for audio/hifi (excluding Motorola-cars). Its products are considered by itself to be very upmarket and expensive. It works through strong supplier relationships in the UK and works closely with its retailers. It is stronger in the UK on televisions and videos than audio/hifi. It has been more successful with audio/hifi products in Western Europe.

A) History

B) Current Size

Employee (numbers):

150

Turnover (£):

Not specifically given for audio/hifi. For total ITT (UK) operations it was approximately £50m

UK market share:

This was given as very small by the respondent for audio/hifi products

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Kodak Ltd

Company Address

PO Box 66
Kodak House
Station Road
Hemel Hempstead
HP1 1JU

Date of Interview

18.11.86

Product Focus for the Study

Plain Paper Photocopiers

COMPANY BACKGROUND

A) History

Kodak's first factory was built in 1891 in Wealdstone, Middlesex, UK. The company manufactured photographic films, papers and photographic chemicals. In 1980, it launched its photocopier division for the UK and European markets.

B) Current Size

Employee (numbers):	350 for photocopiers
Turnover (£):	24m
UK market share:	21% on high volume copiers 2 - 3% on medium volume copiers

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Litton (UK) Ltd

Company Address

Mint House
6 Stanley Park Road
Wallington
Surrey

Date of Interview

28.8.1986

Product Focus for the Study

Microwave Ovens

COMPANY BACKGROUND

A) History

Litton regards itself as a technological and production pioneer in the USA for the defence industry. The microwave oven division does not sit easily with its core activities. The UK microwave oven subsidiary was set up in the 1950s. It had a contract with a British firm to produce its microwave ovens in the UK but after 1987, the UK subsidiary was to take on its own production. Litton is the only US subsidiary producing microwave ovens in the UK.

B) Current Size

Employee (numbers):	100 +
Turnover (£):	14m
UK market share:	4%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Nashua Copycat Ltd

Company Address

Cory House
The Ring
Bracknell
Berkshire
RG 12 1ET

Date of Interview

4.11.1986

Product Focus for the Study

Plain paper photocopiers

COMPANY BACKGROUND

A) History

The company became a subsidiary of Nashua Copycat in New Hampshire USA in 1963. It is a major distributor for the parent company (with 13 subsidiaries and over 90 distributors worldwide). It is also a distributor and original equipment manufacturer for IBM photocopiers.

B) Current Size

Employee (numbers): 300

Turnover (£): 25m

UK market share: 9% (sliding from 12% in previous years)

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

The Torrington Company Ltd

Company Address

Torrington Avenue
Coventry
CV4 9AE

Date of Interview

23.12.1986

Product Focus for the Study

Roller and ball bearings

COMPANY BACKGROUND

A) History

The present company set up premises in Torrington Avenue, Coventry. It was founded in 1985 as a needles bearings manufacturer like its parent company originally. It went into needle and roller bearings production. It is the sole agent for NSK (Japan) ball bearings in the UK.

B) Current Size

Employee (numbers):	900
Turnover (£):	25m
UK market share:	over 12%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Hahn and Kolb (GB) Ltd

Company Address

Leicester Road
Rugby
CV21 1NY

Date of Interview

7.3.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

Hahn and Kolb was established in the late 1960s. It has four divisions - measurement and testing, Machine Tools, Robotics and Handling, and Cutting Tools. The product range is mostly German and American. Although its parentage is German, it handles a lot of American products and license American technology.

B) Current Size

Employee (numbers):	125
Turnover (£):	11m
UK market share:	Over 20% in total for all of its divisions.

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name: Barden Corporation (UK) Ltd

Company Address Western Road
Bracknell
RG12 1LX

Date of Interview 21.10.86

Product Focus for the Study Precision Ball Bearings

COMPANY BACKGROUND

A) History

The subsidiary was tentatively rooted in the UK in 1942 to help with the USA's military effort, and firmly expanded in 1948 with the Ministry of Defence (MOD) orders. Barden Corporation (UK) prides itself on its 'precision' ball bearings because of its need to nurture its defence and aerospace contracts

B) Current Size

Employee (numbers): 300+

Turnover (£): 10m

UK market share: 70% for precision ball bearings only

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Bridgeport Machines Division of
Textron Ltd

Company Address

PO Box 22
Forest Road
Leicester
LE5 0FJ

Date of Interview

10.10.86

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

Bridgeport was founded in the UK in 1914 and was taken over in 1972. Textron provided investment and built a new factory in Bridlington for expansion purposes. Bridgeport licensed US products because of product compatibility with US parent. There was a management buy-out in 1987 from Textron Inc.

B) Current Size

Employee (numbers): 950

Turnover (£): 50m+

UK market share: For its medium size machines for a small specialised market niche, the market share was estimated to be 80%, and small in others.

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Brown and Sharpe Ltd

Company Address

Chapel Street
Melbourne
Derby

Date of Interview

1.12.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

The company was set up by the US firm in the early 1960s to sell machine tools in the UK and European markets. It underwent substantial restructuring by the loss of its factory site at Plymouth, with redundancies. The present company has been trimmed to a sales and service operation based at Melbourne in Derby, to carry the US parent's products. It is also a distributor for two Japanese machine tool companies

B) Current Size

Employee (numbers): 189 (from 400)

Turnover (£): 5% (falling)

UK market share:

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent
(up to 1985) (from 1986)

Company Name: Cincinnati Milacron

Company Address PO Box 505
Kingsbury Road
Birmingham
B24 0QU

Date of Interview 27.3.1986

Product Focus for the Study Machine Tools

COMPANY BACKGROUND

A) History

The only manufacturing plant apart from the USA is the UK subsidiary. Cincinnati Milacron withdrew its manufacturing operations in West Germany in the early 1980s to consolidate its manufacturing in the UK for its European markets as well.

B) Current Size

Employee (numbers):	500
Turnover (£):	40m +
UK market share:	12%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

DeVlieg Machine Company Ltd

Company Address

Leicester Road
Lutterworth
LE17 4HE

Date of Interview

22.10.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

The company was established in the early 1950s when DeVlieg (USA) products in the 1950s. DeVlieg (UK) was originally owned by the Alfred Herbert Company, Coventry and was taken over by DeVlieg (USA) in 1980. DeVlieg (UK) is also a distributor for a Japanese Company for its Okumo line of machine tools.

B) Current Size

Employee (numbers): 220

Turnover (£): 9m

UK market share: About 10% on its main product lines

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Ex-Cell-O Corporation (England) Ltd

Company Address

PO Box 133
Hastings Road
Leicester
LE5 0HT

Date of Interview

10.11.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

Ex-Cell-O was established in the UK in 1952. It manufactures a wide range of high technology machine tools for the automotive and aerospace industries. Its parent company, Textron eventually sold Ex-Cell-O in 1987 (there was a management buy-out).

A) History

B) Current Size

Employee (numbers): 350 +

Turnover (£): 18m

UK market share: 30% in special machine tools - borers and transfers

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

George Kingsbury & Co (Machine Tools) Ltd

Company Address

The Causeway
Staines
Middlesex
TW18 3AQ

Date of Interview

4.11.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

The George Kingsbury Company was set up in 1967. It had two machine tool plants in the UK. The Staines plant assembled and carried out special purpose manufacture. The Gosport plant manufactured cnc lathes and grinding machines. Although it was not a US subsidiary and was still owned by the Kingsbury family, it had a strong US connection. It manufactured under licence, drilling heads and bought technology from the US firm.

B) Current Size

Employee (numbers):

40 in Staines
60 in Gosport

Turnover (£):

3m +

UK market share:

The company would not give this information but did say the market share was small

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Gosport branch

Staines branch

Company Name:

Giddings and Lewis-Fraser Ltd

Company Address

PO Box 6
Arbroath
Angus DD11 3AU
Scotland

Date of Interview

12.9.1986

Product Focus for the Study

cnc Machine Tools

COMPANY BACKGROUND

A) History

The company was established by Douglas Fraser in 1832 for the textile machinery market. The first Fraser designed machine tool was produced in 1954. From an association with Gidding and Lewis (USA) in August 1989, Fraser produced machine tools. Both organizations were acquired by AMCA International in late 1982 and known as Giddings and Lewis Fraser.

B) Current Size

Employee (numbers): 370

Turnover (£): 12m

UK market share: 50% in main product lines in the UK for a specialised sector. Exports 60% of its machine tools

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

IBM

Company Address

The Science Park
Cambridge

Date of Interview

21.8.1986

Product Focus for the Study

Plain paper photocopiers

COMPANY BACKGROUND

A) History

The UK photocopier division was very small in comparison to other IBM main product divisions. IBM had not expanded the photocopier division since it was set up in the 1970s. Its computer business was considered far more important. Consequently from mid 1986 onwards, IBM appointed Nashua Copycat as its original equipment manufacturer (OEM) and distributor, branding the IBM name.

B) Current Size

Employee (numbers):	15
Turnover (£):	3m
UK market share:	5%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK	/ Distributor / Agent
up to 1986	from 1986

Company Name:

ITT Consumer Products (UK)

Company Address

Paycocke Road
Basildon
Essex
SS14 3DR

Date of Interview

11.11.1986

Product Focus for the Study

Audio/hifi

COMPANY BACKGROUND

The US parent company set up this UK subsidiary for the UK/Europe potential. In the consumer market it is the only US subsidiary for audio/hifi (excluding Motorola-cars). Its products are considered by itself to be very upmarket and expensive. It works through strong supplier relationships in the UK and works closely with its retailers. It is stronger in the UK on televisions and videos than audio/hifi. It has been more successful with audio/hifi products in Western Europe.

A) History

B) Current Size

Employee (numbers):

150

Turnover (£):

Not specifically given for audio/hifi. For total ITT (UK) operations it was approximately £50m

UK market share:

This was given as very small by the respondent for audio/hifi products

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Kodak Ltd

Company Address

PO Box 66
Kodak House
Station Road
Hemel Hempstead
HP1 1JU

Date of Interview

18.11.86

Product Focus for the Study

Plain Paper Photocopiers

COMPANY BACKGROUND

A) History

Kodak's first factory was built in 1891 in Wealdstone, Middlesex, UK. The company manufactured photographic films, papers and photographic chemicals. In 1980, it launched its photocopier division for the UK and European markets.

B) Current Size

Employee (numbers): 350 for photocopiers

Turnover (£): 24m

UK market share: 21% on high volume copiers
2 - 3% on medium volume copiers

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name: Litton (UK) Ltd

Company Address Mint House
6 Stanley Park Road
Wallington
Surrey

Date of Interview 28.8.1986

Product Focus for the Study Microwave Ovens

COMPANY BACKGROUND

A) History

Litton regards itself as a technological and production pioneer in the USA for the defence industry. The microwave oven division does not sit easily with its core activities. The UK microwave oven subsidiary was set up in the 1950s. It had a contract with a British firm to produce its microwave ovens in the UK but after 1987, the UK subsidiary was to take on its own production. Litton is the only US subsidiary producing microwave ovens in the UK.

B) Current Size

Employee (numbers):	100 +
Turnover (£):	14m
UK market share:	4%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Nashua Copycat Ltd

Company Address

Cory House
The Ring
Bracknell
Berkshire
RG 12 1ET

Date of Interview

4.11.1986

Product Focus for the Study

Plain paper photocopiers

COMPANY BACKGROUND

A) History

The company became a subsidiary of Nashua Copycat in New Hampshire USA in 1963. It is a major distributor for the parent company (with 13 subsidiaries and over 90 distributors worldwide). It is also a distributor and original equipment manufacturer for IBM photocopiers.

B) Current Size

Employee (numbers):	300
Turnover (£):	25m
UK market share:	9% (sliding from 12% in previous years)

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

The Torrington Company Ltd

Company Address

Torrington Avenue
Coventry
CV4 9AE

Date of Interview

23.12.1986

Product Focus for the Study

Roller and ball bearings

COMPANY BACKGROUND

A) History

The present company set up premises in Torrington Avenue, Coventry. It was founded in 1985 as a needles bearings manufacturer like its parent company originally. It went into needle and roller bearings production. It is the sole agent for NSK (Japan) ball bearings in the UK.

B) Current Size

Employee (numbers):	900
Turnover (£):	25m
UK market share:	over 12%

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

Company Name:

Hahn and Kolb (GB) Ltd

Company Address

Leicester Road
Rugby
CV21 1NY

Date of Interview

7.3.1986

Product Focus for the Study

Machine Tools

COMPANY BACKGROUND

A) History

Hahn and Kolb was established in the late 1960s. It has four divisions - measurement and testing, Machine Tools, Robotics and Handling, and Cutting Tools. The product range is mostly German and American. Although its parentage is German, it handles a lot of American products and license American technology.

B) Current Size

Employee (numbers): 125

Turnover (£): 11m

UK market share: Over 20% in total for all of its divisions.

C) Product/Company Base - which of the following best describes your company's main activity

Manufacturer in the UK / Distributor / Agent

APPENDIX FIVE

THE QUESTIONNAIRE USED IN THE UK RESEARCH

AMERICAN MARKETING STRATEGIES IN THE UK

COMPANY:

PRODUCT FOCUS FOR STUDY:

INTERVIEWEE AND RESPONSIBILITY:

1. COMPANY BACKGROUND

A. History

B. Current Size

Employees nos.):

Turnover £

Product Range:

Focus product significance and background

C. Product/company base - which of the following best describes your company's main activity:

Manufacturer in U.K., Distributor/Agent

2. PERFORMANCE (Focus Product)

How successful has it been over last five years? Criteria used to measure success?

A. Sales and market shares:

B. Total profitability and margin (NPMBT):

C. Do you consider your company performance to be

Very unsuccessful 1 2 3 4 5 Very successful

COMMENTS:

3. MARKET CHARACTERISTICS

A. Why did you enter this market?

B. What made the market attractive?

C. What key trends do you see in the market?

D. What has been the approximate growth rate per annum of the
total market over the last five years?

‡ p.a. (Units)

‡ p.a. (£)

E. What do you expect the growth to be over the next five years ?

‡ p.a. (Units)

‡ p.a. (£)

4. STRATEGIC OBJECTIVES

A. Were specific marketing objectives established? What were they?

B. Which best describes the sales/market share strategy? (✓)

Prevent decline ☐

Defensive ☐

Maintain position ☐

Aggressive growth ☐

Dominate market ☐

Other ☐

C. How important to the company was achieving a good current profit performance?

Unimportant ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ Crucial

COMMENTS:

5. STRATEGIC FOCUS

A. Which of the following best describes your focus? (Rate each in order of importance; 1 = most important) (Rate: at all; 5 = Exactly)

- | | | | | | | |
|------|--|----------|----------|----------|----------|----------|
| i. | Expand market by converting non-users of product. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| ii. | Expand market by creating new uses for the product. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| iii. | Enter newly emerging market segments. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| iv. | Enter segments already established in the market but are new to our company. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| v. | Increasing usage rate of product. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| vi. | Winning share by beating competition. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| vii. | Focus on cost reduction and improved productivity. | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |

B. Would you primarily describe your focus as:

(✓)

PUSH Winning dealer support for them to promote product for you to find consumer.

1

PULL Primarily appealing direct to consumer to create preference.

1

BOTH Focus is equally balanced between push and pull.

1

6. STRATEGIC ADVANTAGES

How much does the following describe the strategy of your business
(1 = not at all, 5 = exactly)

- A. Identifies key factors for success in the industry and then inject resources where the company can gain strategic advantages over competitors. 1 2 3 4 5
|-----|
- B. Concentrates upon products that are not competing directly with key competitors. 1 2 3 4 5
|-----|
- C. Concentrates upon those areas where your business has an advantage over competitors. 1 2 3 4 5
|-----|
- D. Uses unconventional strategies that upset the established order in the industry. 1 2 3 4 5
|-----|
- E. Develops significant new product groups. 1 2 3 4 5
|-----|
- F. Opens up new markets. 1 2 3 4 5
|-----|

7. CUSTOMER TARGETS

A. What do you perceive are the main segments in the market?

B. What bases do you use for segmentation?

C. Which segments do you appeal to?

For Consumer Goods Companies

A. Are your consumers socially/economically

Down-Market 1 2 3 4 5 Up-Market
 Average

B. Are they relatively

Late Adopters 1 2 3 4 5 Imaginative
 Average

C. Is your particular brand seen more as meeting

Luxury 1 2 3 4 5 Basic Product
Needs Average Needs

8. COMPETITOR TARGETS

A. Is your major competitor British
 Japanese
 Other (State) ?

B. Would you say competition in your market is, (relative to ther markets)

Mostly					Highly
Weak or	1	2	3	4	Aggressive
Uaggressive	Average				

C. Is your major competitor concern with their strategies in terms of (rank)

Low Prices
Product Quality
Product Innovation
Advertising/Promotion
Good Distribution
Powerful Salesforce
Other (State)

9. COMPETITIVE ADVANTAGE

What is your USP or competitive advantage?

- A. The major benefit(s) we offer the target customer segment is(are):

3. Our major advantage over competition is:

- C. The customer benefit is along a dimension which they regard as:

Unimportant 1 2 3 4 5 Very Important
Average

2. Our advantage over competition is seen by customers

No better Than Others 1 2 3 4 5 Markedly Superior

- E. What are the advantages of your major competitor? How important to the customers are they?

10. TECHNOLOGY/MARKET STRATEGIES

How much do the following describe your company? (Rate: 1 =Not at all,
5 = Describes it best)

A. When do you enter markets:

	1	2	3	4	5
First to market (initiates market)					
Early to market (early in the PLC)					
Established markets (during the growth stage)					
Late to market (late growth or early majority)					

B. R & D Capability

	1	2	3	4	5
Strong on advanced research capability					
Flexible and responsive R & D capability					
Strong product design capability					
Strong process development and cost reduction capability					

C. Manufacturing Emphasis

	1	2	3	4	5
Pilot and medium scale manufacturing					
Agile at setting up medium scale runs					
Flexible with medium scale runs					
Efficient with medium large-scale production					

D. Marketing Strengths

	1	2	3	4	5
Good at stimulating primary demand					
Good at product differentiations					
Good at segmentation and positioning					
Good at efficient sales and marketing					

E. Financial Resources

	1	2	3	4	5
Easy access to risk capital					
Makes rapid commitment to medium and large quantities of capital					
Access to capital in moderate quantities					
Access to captial in large quantities					

F. Organisation

	1	2	3	4	5
Emphasis on flexibility over efficiency and encouraging risk taking					
Combines flexibility and efficiency					
Combines flexibility and control					
Combines efficiency and control					

11. MARKETING MIX

How important are the following in understanding your performance? How do they compare to competitors?

A. PRODUCT POLICY

PRODUCT QUALITY

(i.e. reliability, maintenance-free)

Significantly 1 2 3 4 5 More Superior
Inferior

Very Unimportant 1 2 3 4 5 Very Important

PRODUCT RANGE

Much Narrower 1 2 3 4 5 Much Broader

Very Unimportant 1 2 3 4 5 Very Important

INNOVATION

Much Older 1 2 3 4 5 Much Newer

Very Unimportant 1 2 3 4 5 Very Important

PRODUCT PERFORMANCE

(i.e. Out-put, Efficiency)

Much Worse 1 2 3 4 5 Much Better

Very Unimportant 1 2 3 4 5 Very Important

PRODUCT DESIGN

(aesthetics, ergonomics)

Significantly 1 2 3 4 5 More Superior
Inferior

Very Unimportant 1 2 3 4 5 Very Important

B. PRICING POLICY

i. Consumer Prices

Much Lower 1 2 3 4 5 Much Higher

Very Unimportant 1 2 3 4 5 Very Important

ii. 'Extras' offered free or at low cost

Much Smaller	1	2	3	4	5	Much Greater
Very Unimportant	1	2	3	4	5	Very Important

C. ADVERTISING AND PROMOTION

ADVERTISING

Much Lower	1	2	3	4	5	Much Higher
Very Unimportant	1	2	3	4	5	Very Important

PROMOTION

Much Lower	1	2	3	4	5	Much Higher
Very Unimportant	1	2	3	4	5	Very Important

PERSONAL SELLING

Much Lower	1	2	3	4	5	Much Higher
Very Unimportant	1	2	3	4	5	Very Important

D. DISTRIBUTION

DISTRIBUTION EFFECTIVENESS GENERALLY

Much Worse	1	2	3	4	5	Much Better
Very Unimportant	1	2	3	4	5	Very Important

DEALER % MARGINS

Much Lower	1	2	3	4	5	Much Higher
Very Unimportant	1	2	3	4	5	Very Important

DEALER TOTAL PROFIT

Much Lower	1	2	3	4	5	Much Higher
Very Unimportant	1	2	3	4	5	Very Important

DEALER SUPPORT

Much Smaller	1	2	3	4	5	Much Greater
Very Unimportant	1	2	3	4	5	Very Important

SHORTER DISTRIBUTION CHAIN EMPLOYED

Much Less	1	2	3	4	5	Much More
Very Unimportant	1	2	3	4	5	Very Important

Describe any unique characteristics of distribution system.

E. SERVICE AND OTHER CUSTOMER SUPPORT

SERVICE

Much Worse	1	2	3	4	5	Much Better

Very Unimportant	1	2	3	4	5	Very Important

CUSTOMER SUPPORT

Much Worse	1	2	3	4	5	Much Better

Very Unimportant	1	2	3	4	5	Very Important

COMMENTS:

F. HOW IMPORTANT ARE THE MARKETING MIX ELEMENTS TO ACHIEVING OVERALL SALES/MARKET GOALS (Rank: 1 = most important)

PRODUCT	_____
PRICING	_____
ADVERTISING AND PROMOTION	_____
DISTRIBUTION	_____
SERVICE/CUSTOMER SUPPORT	_____

2. PROBLEMS/OPPORTUNITIES FOR THE FUTURE

In the future, do you expect to see:

MARKET SHARE

Much Smaller 1 2 3 4 5 Much Greater
|-----|

PROFITABILITY

Much Weaker 1 2 3 4 5 Much Stronger
|-----|

THIS PRODUCT/MARKET FOR THE COMPANY IS EXPECTED TO BE STRATEGICALLY

Less Important 1 2 3 4 5 More Important
|-----|

FOCUS

More on Costs 1 2 3 4 5 More on Value
|-----|

CUSTOMER TARGETS

Very Different 1 2 3 4 5 Very Similar
to Now |-----|

COMPETITION

Much Weaker 1 2 3 4 5 Much Tougher
|-----|

COMPETITIVE ADVANTAGE

Much Worse 1 2 3 4 5 Much Better
|-----|

PRODUCT QUALITY

Less Important 1 2 3 4 5 More Important
|-----|

D For USA Subsidiary Only:

Relationship between U.K. Branch and Parent Company

- i. Who, in your company (U.K.) is/are responsible for reporting to the parent company in USA ? How Frequently?

Comments and Explain:

- ii. Are you responsible for making your own decisions in relation to the marketing and distribution of your product(s)? (Rate along the following scale).

Not Responsible	1	2	3	4	5	Solely Responsible
(all instructions for marketing action have to come from Head/Parent office in <u>USA</u> and action taken only after approval from the latter)						(make "big" decisions as well as on-the-spot "small" decisions without the need for prior, consultation and full approval from Head/Parent office in <u>USA</u>)

E. Autonomy and Encouragement of Entrepreneurship:

- i. How would you describe the degree of supervision and control within your company?

Very Close/Tight	1	2	3	4	5	Very Loose

- ii. Your Company believe in supporting and encouraging entrepreneurship.

Not At All	1	2	3	4	5	Very Strongly

14. STAFF

A. TRAINING

i. Does your company regard staff training as

Very Unimportant 1 2 3 4 5 Very Important

ii. How much do the following describe the type of training provided to staff. (1 = very little, 5 = very much)

- a. Early, on-the-job training 1 2 3 4 5

- b. Training in selected jobs specific
to one function only (i.e. sales
engineers get sales training only) 1 2 3 4 5

- c. Broad, all round training 1 2 3 4 5

- d. Training takes place externally 1 2 3 4 5

- e. Internal training is conducted 1 2 3 4 5

- f. Constant training of employees who
are moving higher up the promotional
ladder 1 2 3 4 5

- g. Retraining staff when job requirements
change 1 2 3 4 5

B. SOCIALIZATION OF MANAGERIAL STAFF

i. How many times do you interview potential recruits for
managerial positions?

ii. Which best describes the typical starting job of incoming aspiring managers?

(1 = very little, 5 = exactly)

- a. Bottom "line" jobs (e.g. production line/making or selling parts; new product introductions; hands-dirty jobs) 1 2 3 4 5
|-----|
- b. "Staff" jobs (e.g. in "home" office, or headquarters, planning, market research, management systems) 1 2 3 4 5
|-----|

C. TIME WITH COMPANY

i(a). What is the company's policy on "life-time employment"?

i(b). How important is it for your company to provide long term job security to employees in your company?

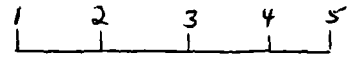
Very Unimportant 1 2 3 4 5
|-----| Crucial

ii. When recruiting new people for the company, is there any preference in terms of their age?

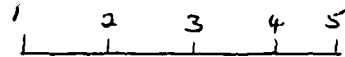
What is the age/group preferred?

iii. Would you describe top management of your company as being composed of: (rate 1 = very little; 5 = mainly)

a. People recruited to the job from outside



b. People who have climbed up the promotional ladder and reached the top that way

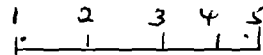


15. SKILLS

A. HOMOGENEITY

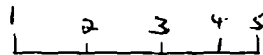
Your managerial staff consist primarily of:

i. People, all of whom have a similar background



People from a wide range of backgrounds

ii. People trained to do only their own job well in the company



People who have received a broad, general training in the company

iii. People who have all gone through identical training in the company



People who have undergone different training in the company

B. DISTINCTIVE SKILLS OF KEY INDIVIDUALS OR COMPANY

i. What would you regard as the distinctive skill(s) or ability(ies) of key individuals in your company or of your company as a whole?

ii. How does (do) it (they) compare to competition?

Markedly Inferior 1 2 3 4 5 Markedly Superior
|-----|

STYLE

A. DISTINCTIVE STYLE OF TOP EXECUTIVE

i. How much do the following describe the way your company is run.

a. Senior Management communicate/ exchange/receive information through formal channels (meetings with proper agendas in writing, formal presentations, polite comments; fear of the Chairman/President) 1 2 3 4 5
|-----| Informality is the norm (no agenda, no minutes, meetings, get-togethers coffee-?; intense free-flowing)

b. Top executive meetings are rare 1 2 3 4 5
|-----| Top executive meetings are regular

c. Top management - employees down the line contact is infrequent 1 2 3 4 5
|-----| Top management - employees down the line contact is regular

(Direct communications between top executive and down the line people are infrequent)

(Direct communications between are regular)

- d. Top management - employee contact is formal (weekly/monthly inspections, floor visits by plant manager always in a suit) 1 2 3 4 5
|-----| Top management - employee contact is informal (a lot of wandering around, management making on the spot decisions, answering queries and complaints, 'plain talking' to employees visit stores/factory floors)
- e. Information is never brought down to and shares with field staff/shop floor/down the line employees 1 2 3 4 5
|-----| Information is frequently brought down to and shared with field staff/shop floor/down the line employees
- f. Group responsibilities or teamwork is rare 1 2 3 4 5
|-----| Group responsibilities or team work is common

CONTACT WITH CUSTOMERS/DEALERS

- i. How important to your company is customer/dealer contact?
 Unimportant 1 2 3 4 5 Very important
|-----|
- ii. If customer contact exists, would you regard it as being maintained on:
 Short-term transient basis 1 2 3 4 5 Long-term continuing basis
|-----|
- iii. Which of the following best describes the way in which customer/dealer contact is made? (Rate: 1 = Not at all; 5 = Mainly)
- | | |
|--|-----------------------------|
| Sales calls made by salesmen | 1 2 3 4 5
 ----- |
| Sales or customer calls made by top executives | 1 2 3 4 5
 ----- |
| Professionals/top executives visiting customers/dealers/user sites | 1 2 3 4 5
 ----- |
| Customers/dealers invited into the company | 1 2 3 4 5
 ----- |
| Other: | 1 2 3 4 5
 ----- |

C. INNOVATION AND EXPERIMENTATION

i. Do you encourage middle managers to innovate in the market?

ii. How much encouragement is there?

Very little 1 2 3 4 5
|-----| A lot

iii. In comparison to competition, do you try things out
(testing, experiment)?

Much less 1 2 3 4 5
|-----| Much more

iv. Are tests/experiments (prototype testing, pricing testing, consumer panels, etc) conducted?

With little customer participation 1 2 3 4 5
|-----| Always in conjunction with customers or users

v. Do you think your company's tolerance of mistakes or failures is

Very high	1 2 3 4 5	Very low
(Encourages mistakes, don't believe in punishing those making mistakes in the course of exploration and experimentation)	-----	(Demand punishment for a mistake, no matter how small, invisible, or useful)

17. SYSTEMS

A. PLANNING

- i... Which of the following best describes the type of planning undertaken? (1 = not at all; 5 = exactly)

Formal long-term plans (e.g. 5 year plans)	1 2 3 4 5
Formal medium to short-term plans	1 2 3 4 5
Explicit but informal statements of goals	1 2 3 4 5
No formal plans	1 2 3 4 5
Other	1 2 3 4 5

- ii. In terms of "planning" and "action" how would you describe your company?

Planning is the	1 2 3 4 5	Action is the
most important		most important

B. CONTROL

- i. Do you employ control procedures?

- ii. What control procedures do you employ to ensure that marketing plans/objectives are being achieved? (Rate importance 1 = very unimportant; 5 very important)

a. Periodical (monthly, quarterly, etc.) Formal assessment of profitability of products, markets, territories and channels of distribution	1 2 3 4 5
b. Provisions made to examine and validate periodically various marketing costs	1 2 3 4 5
c. Specifying many rules and variables which have to be measured and filed, the measurements providing a guide to action.	1 2 3 4 5
d. Informal, regular communications in the firm ensures nothing gets far out of line	1 2 3 4 5
e. Other formal procedures	1 2 3 4 5

COMMENTS:

C. INFORMATION

i. What marketing intelligence systems do you employ?

ii. Marketing information is moved round the company primarily through

Formal, proceduralised reports (i.e. written reports, ink on paper formats, computer print outs)	1 2 3 4 5	Informal routinized formats (i.e. verbally meetings)
--	-----------------------	--

D. NEW PRODUCT DEVELOPMENT (NPD)

i. How would you describe the system for NPD in your company?

- | | | | | | | | | | | | | | |
|-------|--|--|---|---|---|---|---|-------|--|--|--|--|---|
| a. | New product ideas are gathered or generated and screened by a formal NPD department | <table border="0"><tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="5"><hr/></td></tr></table> | 1 | 2 | 3 | 4 | 5 | <hr/> | | | | | New product ideas can emerge from any source within the company |
| 1 | 2 | 3 | 4 | 5 | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | |
| b. | Concept research and business analysis seldom takes place prior to investing in new idea | <table border="0"><tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="5"><hr/></td></tr></table> | 1 | 2 | 3 | 4 | 5 | <hr/> | | | | | A lot of concept research and business analysis takes place before investing in the new idea. |
| 1 | 2 | 3 | 4 | 5 | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | |
| c. | There is little product and/or market testing before launching a new product | <table border="0"><tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td></tr><tr><td colspan="5"><hr/></td></tr></table> | 1 | 2 | 3 | 4 | 5 | <hr/> | | | | | Product and/or market testing are always done before launching a new product |
| 1 | 2 | 3 | 4 | 5 | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | |

18. SUPER-ORDINATE GOALS/SHARED VALUES

- A. Besides goals like profits, achieving sales, growth, market share, etc., what other values or goals are considered very important to you and your company?

- B. How important are the above goals/values. (Rank if there are more than one goal/value states above: 1 = most important; 5 = least important)

Value/Goal

Ranking

- C. Would you describe personnel's understanding of, and commitment to, the business objectives/strategies and values of the company as:

Very low 1 2 3 4 5 Very high

APPENDIX SIX

THE QUESTIONNAIRE USED IN THE OVERSEAS RESEARCH

COMPANY:

INTERVIEWEE AND RESPONSIBILITIES:

1. COUNTRY IMPORTANCE

A. How important is the UK market to your corporate success?

unimportant 1 2 3 4 5 crucial

B. Which countries are considered more important than the UK as potential markets for your products?

Please comment: _____

C. Do you see the UK as a country for significant investment or disinvestment in the short to medium-term period?

Please comment: _____

D. Has rationalisation and redundancies been carried out in the UK operation over the last five years by the Japanese parent company?

Please comment: _____

E. Are you satisfied with management - workers relations in the UK?

1 2 3 4 5
Dissatisfied _____ Very satisfied

F. How important is the contact between the Japanese and the UK Management in stimulating the interchange of ideas on:

a) Marketing Unimportant 1 2 3 4 5 Very important

b) Product Innovation 1 2 3 4 5 Very important
Unimportant _____

2. CORPORATE STRUCTURE

How does the UK subsidiary fit into the overall corporate organisation of the USA company and its worldwide operations?

Chart/Diagram:

Comments: _____

3. MARKETING OBJECTIVES

What are your marketing objectives for your United Kingdom subsidiary?

Please comment: _____

4. PERFORMANCE

A. How successful has the UK operation been over the last five years.

(Please rate: 1 = poor performance; 5 = very successful)

	1	2	3	4	5
A. Sales growth					

	1	2	3	4	5
B. Profitability					

	1	2	3	4	5
C. Market Share Gains					

B. In the short to medium term future, do you expect to see:

MARKET SHARE

	1	2	3	4	5	
Much Smaller						Much Greater

PROFITABILITY

	1	2	3	4	5	
Much Weaker						Much stronger

6. COMPETITORS' TARGETS

A. Who are your major competitors? (Please state country of origin)

In the UK: _____

In Japan: _____

B. Would you say that your major competitors in the UK are:

Mostly weak/unaggressive 1 2 3 4 5 Highly aggressive?

Comments: _____

C. Please rank in order of importance the strategies that your major competitor in the UK is concerned with. (1 = most important, 6 = least important).

Low prices _____ Advertising/Promotion _____

Product quality _____ Good distribution _____

Product innovation _____ Powerful salesforce _____

7. TECHNOLOGY/MARKET STRATEGIES

Which best describes your company overall?

(Please rate: 1 = Not at all, 5 = Describes it best)

A. When do you enter markets

First to market (initiates market) 1 2 3 4 5

Early to market (early in the PLC) 1 2 3 4 5

Established markets (during the growth stage) 1 2 3 4 5

Late to market (late growth or early majority) 1 2 3 4 5

B. R & D Capability

Strong on advanced research capability 1 2 3 4 5

Flexible and responsive R & D capability 1 2 3 4 5

Strong product design capability 1 2 3 4 5

Strong process development and cost reduction capability 1 2 3 4 5

C. Marketing Strengths

	1	2	3	4	5
Good at stimulating primary demand					
	1	2	3	4	5
Good at product differentiations					
	1	2	3	4	5
Good at segmentation and positioning					

8. BUDGET/PERFORMANCE SCRUTINY

Which budget and performance criteria are most scrutinized by your Head Office in your UK subsidiary?

	Not at all						Very much so
Profitability	1	2	3	4	5		
Costs	1	2	3	4	5		
Market share	1	2	3	4	5		
Cash flow	1	2	3	4	5		

9. FINANCIAL BACKING

Does the Japanese parent give financial backing/investment to its UK subsidiary when needed?

Little financial backing 1 2 3 4 5 Much financial backing

(Expects subsidiary to be self-sufficient)

10. CONTACT BETWEEN JAPANESE AND UK COMPANIES

A. Who is the UK Managing Director directly responsible to, in the Japanese company?

Please comment: _____

B. Who else in the Japanese company is responsible for receiving and monitoring feedback from the UK subsidiary?

Please comment: _____

C. How would you describe the reporting functions between Japan and the UK?

Informal 1 2 3 4 5 Very Formal

Multi-level 1 2 3 4 5 At a very senior level only

D. What is the usual method of contact?

Please Comment: _____

E. How frequently?

Please comment: _____

11. ORIENTATIONS

A. How much do the following describe the parent company's philosophy on overseas markets?

a. It is primarily home country oriented - strategies are developed primarily for the home market; overseas business is regarded as a useful bonus

Not at all	1	2	3	4	5	Exactly
------------	---	---	---	---	---	---------

b. Overseas markets have become crucial because of their sales and/or growth potential relative to the home country - strategies are developed along lines similar to those for the home market with slight modifications to meet overseas opportunities

Not at all	1	2	3	4	5	Exactly
------------	---	---	---	---	---	---------

c. Overseas markets have become crucial because of their sales and/or growth potential relative to the home country - the company will significantly modify strategies to better meet overseas opportunities

Not at all	1	2	3	4	5	Exactly
------------	---	---	---	---	---	---------

d. It is globally oriented
 - strategies are developed specifically for world marketing opportunities; the home country does not have special priority

1	2	3	4	5
---	---	---	---	---

B. The product sold in the U.K./overseas market is:

a. subject to no major modifications from that marketed in the home market. Not at all

1	2	3	4	5
---	---	---	---	---

Exactly

b. modified to a great extent to meet specific U.K./host country needs.

1	2	3	4	5
---	---	---	---	---

c. a standardised product for the regional or world wide market.

1	2	3	4	5
---	---	---	---	---

C. Promotional (advertising and sales promotion) policies pursued in the U.K./overseas market are:

a. similar to those employed in the home market. Not at all

1	2	3	4	5
---	---	---	---	---

Exactly

b. established independently by the company/overseas subsidiary to suit specific U.K./host country market conditions.

1	2	3	4	5
---	---	---	---	---

c. developed by headquarters and standardised for the region or world market.

1	2	3	4	5
---	---	---	---	---

d. Overseas markets have become crucial because of their sales and/or growth potential relative to the home country - the company will significantly modify strategies to better meet overseas opportunities. Not at all

1	2	3	4	5
---	---	---	---	---

Exactly

e. It is globally oriented - strategies are developed specifically for world marketing opportunities; the home country does not have special priority

1	2	3	4	5
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D. Distribution approaches employed in the U.K./overseas market are:

- | | | | | | | |
|---|------------|---|---|---|---|---------|
| a. based on those traditionally used in the home market. | Not at all | | | | | Exactly |
| | 1 | 2 | 3 | 4 | 5 | |
| | <hr/> | | | | | |
| b. specifically adapted to U.K./host country market conditions. | 1 | 2 | 3 | 4 | 5 | |
| | <hr/> | | | | | |
| c. standardised for the region or world market. | 1 | 2 | 3 | 4 | 5 | |
| | <hr/> | | | | | |

E. Product prices in the U.K./overseas market are:

- | | | | | | | |
|--|------------|---|---|---|---|---------|
| a. similar, to those charged in the home market (i.e. calculated on the same basis as that charged in the home market with the addition of overseas distribution costs and so forth) | Not at all | | | | | Exactly |
| | 1 | 2 | 3 | 4 | 5 | |
| | <hr/> | | | | | |
| b. much higher than those charged in the home market. | 1 | 2 | 3 | 4 | 5 | |
| | <hr/> | | | | | |
| c. much lower than those charged in the home market. | 1 | 2 | 3 | 4 | 5 | |
| | <hr/> | | | | | |
| d. What are the reasons for charging higher or lower prices in the overseas markets? | | | | | | |

F. How well do the following statements describe your company's/overseas subsidiary's position?

- a. Strategically and financially it is treated as an independent company.

Not at all 1 2 3 4 5 Very much so

- b. It is not treated as an independent company, and its strategy and financial performance are set and evaluated in terms of the following company's total global objectives.

Not at all 1 2 3 4 5 Very much so
